

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK

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UNITED STATES OF AMERICA, : 15-CR-637(KAM)

-against- : United States Courthouse

: Brooklyn, New York

: Thursday, June 29, 2017

MARTIN SHKRELI, : 9:00 a.m.

Defendant. :

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TRANSCRIPT OF TRIAL  
BEFORE THE HONORABLE KIYO A. MATSUMOTO  
UNITED STATES DISTRICT COURT JUDGE, and a jury.

A P P E A R A N C E S:

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1 (In open court; outside the presence of the jury.)

2 THE COURT: This is the trial of the United States  
3 of America versus Martin Shkreli, 15-CR-63. Will the parties  
4 state their appearances, please.

5 MS. KASULIS: Yes, your Honor. Jacqueline Kasulis,  
6 Alixandra Smith, Karthik Srinivasan, FBI Special Agents  
7 Michael Braconi and Sean Sweeney, and our paralegal, Gabriela  
8 Balbin, has stepped out momentarily.

9 THE COURT: Thank you.

10 MR. BRAFMAN: Good morning, Your Honor. Benjamin  
11 Brafman, Marc Agnifilo, Jacob Kaplan, Andrea Zellman, and Teny  
12 Geragos, who is no longer pending admission.

13 THE COURT: Welcome. What would you like to raise  
14 with us?

15 MR. KAPLAN: One of the Government's first witnesses  
16 will be Steven Stich, who will be testifying about the Orex  
17 trade with Merrill Lynch. As part of his testimony, I  
18 believe, based on 3500 material, they will try to elicit  
19 certain misrepresentations that Mr. Shkreli may have made to  
20 Mr. Stich. Some of them pertain to assets under management,  
21 which will be reflected throughout the whole case. But some  
22 of the misrepresentations that they want to focus on deal  
23 exclusively with the Orex trade, how the trade took place,  
24 lies about whether or not he had stock located to cover the  
25 short, and possibly any lies he may have said after, once the

1 trade went through.

2           It is our position that those misrepresentations,  
3 one, are not relevant to the case at hand. The only relevance  
4 of the Orex trade is possibly the misstatements about assets  
5 under management and whether or not he told his potential  
6 investors about the Orex loss. What he actually told Merrill  
7 Lynch as part of the trade has no relevance on the issues of  
8 the investor relationship to MSMB Capital or Healthcare or  
9 Retrophin. The only thing it does is it creates the  
10 impression that Martin Shkreli just lies about everything.  
11 There is no probative value, but there is highly prejudicial  
12 value, that they are going to think there's a propensity that  
13 when he had an issue with Merrill Lynch -- and, once again,  
14 the fact of the trade is relevant. How the trade actually  
15 went through, I don't believe is relevant. And at the end of  
16 the day, it just serves to give propensity evidence to the  
17 jury.

18           THE COURT: Thank you.

19           I will hear from the Government.

20           MS. SMITH: Your Honor, just to walk you through a  
21 little bit in detail so you have some context. There is also  
22 the 3500 for Steven Stich includes this information. So to  
23 the extent that Your Honor wants more background information,  
24 that is a good place to look.

25           But the Orex trade, which happened on February 1st,

1 which is the trade that resulted in the loss of all of the  
2 investors' assets in MSMB Capital, it happened because the  
3 defendant was betting that Orex would go down, obviously was  
4 shorting Orex. And Orex was a difficult to locate stock. So  
5 unlike Apple, where there's lots of it around. Orex was a  
6 very small company and there wasn't a lot of stock around.  
7 And part of the witness' story is that -- has to do with why  
8 he called the defendant during the day and the reason he  
9 called the defendant was because he noticed that the defendant  
10 was doing a very high volume of a stock that was very  
11 difficult to locate and he was concerned about the ability for  
12 the trade to go through. So when he saw that, he called and  
13 spoke to the defendant and asked the defendant if he had what  
14 they call a locate on the stock; basically, had the defendant  
15 gone out and looked to see whether there was enough stock for  
16 him to actually cover the trades that he was making.

17 And the other thing that the witness noticed was  
18 that the defendant was making many, many small purchases. So  
19 it wasn't one large purchase but it was lots and lots of  
20 purchases of this stock over the course of the day. They  
21 called the defendant. They discussed this. The defendant  
22 said that he did have a locate on the stock, and so Merrill  
23 Lynch allowed the trading to continue. At the end of the day,  
24 there is this massive loss, and there is obviously additional  
25 testimony about it.

1           The defendant has lied about the fact that he had a  
2 locate. It's actually very important to the witness's  
3 testimony because without understanding how the trade was  
4 happening and why he called the defendant and why he didn't  
5 stop the defendant's trading, you can't really understand what  
6 happened at the end of the day. So the lie is not for the  
7 truth of the matter, obviously, because it wasn't a truthful  
8 statement. It is very necessary to the narrative.

9           It is also important because at least one witness is  
10 going to say that Mr. Shkreli described what happened with the  
11 Orex trade as what they call a fat finger, which is when you  
12 are trading and all of a sudden you put in one trade for like  
13 a bajillion shares when you really meant to put in a trade for  
14 a smaller number of shares. So Mr. Shkreli described the Orex  
15 trade to this witness as oh, I screwed up, I put in a huge  
16 trade, and I couldn't cover it, and it was just a mistake,  
17 when, in fact, he had put in many, many tiny trades over the  
18 day because he was actually trading with a deliberate  
19 strategy. He thought he would work his way out of the trade  
20 and that wasn't true. But it wasn't a mistake. He  
21 deliberately purchased those shares in that manner over the  
22 course of a day.

23           So it is very important for us to establish not only  
24 that the Orex trade happened in the way that it did and the  
25 witness' testimony is incomplete without that additional

1 conversation, but also to establish that it wasn't some sort  
2 of giant accident, in the sense that it was deliberate  
3 trading. I'm not saying necessarily that Mr. Shkreli intended  
4 to lose all of the money that he did, but the trading and the  
5 manner in which he did it was deliberate, it wasn't a fat  
6 finger accident.

7           So for both of those reasons that testimony is  
8 actually important. To the extent the defense would like a  
9 limiting instruction that that particular lie is not to an  
10 investor or doesn't go to materiality of Counts One to Six,  
11 the material misrepresentations that were made to investors,  
12 you know, that this lie to Merrill Lynch isn't one of those  
13 misrepresentations, we are fine with a limiting instruction.  
14 But the witness needs to be able to provide that information  
15 to give the context and then also, you know, so that when the  
16 witness later on testifies that Mr. Shkreli told him it was a  
17 fat finger mistake it will be clear that that is not, in fact,  
18 true. So that was a lie to an investor. We can't establish  
19 that second lie to the investor without establishing the  
20 sequence of events that led up to the trade itself.

21           MR. KAPLAN: Judge, if I may respond.

22           THE COURT: Yes.

23           MR. KAPLAN: So the two reasons why they said they  
24 would need that information, one is because it would explain  
25 why Merrill Lynch didn't stop the trade. That's not relevant,

1 why they didn't stop the trade. The only real relevance is  
2 that the trade happened and that he lost money and that he  
3 didn't tell the investors about their money. No one is  
4 blaming Merrill Lynch for the fact that this trade went  
5 through. It's simply the fact that at the end of the day the  
6 trade happened. How specifically it happened, the fact that  
7 he said he had a locate and didn't have a locate is not  
8 relevant.

9           Going to the second point about the fat finger  
10 mistake, I have no problem with them eliciting evidence that  
11 there were a number of tiny trades. Mr. Stich can talk about  
12 the 1,000 trades that went through which clearly showed it's  
13 not affecting their mistake. They're not going to be  
14 precluded from arguing that simply because he doesn't say Mr.  
15 Shkreli advised me about a locater. They can still get that  
16 information in in a way that's not prejudicial and showing  
17 propensity against Mr. Shkreli.

18           THE COURT: All right. Ms. Smith.

19           MS. SMITH: The statement that he had a locate shows  
20 that this was a very deliberate pattern of trading. I know  
21 there is a statement that Merrill Lynch won't be blamed for  
22 the trade, but that has been kind of in the defendant's  
23 statements to people all along, that this was an accident. It  
24 was described at various points in that way. So it is  
25 important for establishing the deliberate nature of the trade

1 and his knowledge of the deliberate nature of the trade.

2 THE COURT: All right. I think that to the extent  
3 that the jury would be instructed that the statements that Mr.  
4 Shkreli made to Merrill Lynch were not statements to an  
5 investor and are not charged in Counts One Through Six but are  
6 relevant to understanding what was mentioned during open about  
7 this huge loss of Orex and the subsequent negotiations and  
8 discussions with Merrill Lynch is relevant to the background  
9 of Mr. Shkreli's alleged conduct vis-à-vis his investors  
10 thereafter. So I think that evidence is necessary for the  
11 jurors' understanding. There are a series of very complex  
12 financial transactions. I think what you are proposing is  
13 just he testify that Merrill Lynch sustained a loss in X  
14 amount and then move forward, but I think that it is important  
15 to understand the genesis of that.

16 I am happy to consider mutually agreeable language  
17 or instructions to the jury if you and counsel for the  
18 Government want to talk about that and how we might want to  
19 instruct the jury and I can do that before or at some point  
20 during or after this witness testifies.

21 MR. KAPLAN: Thank you, Your Honor.

22 THE COURT: Do you want to talk about that for just  
23 take a few minutes before we bring the jury up?

24 MS. SMITH: Yes. I don't believe this witness is  
25 going to go on before lunch. We can discuss and make sure we



1 have it to you before he testifies.

2 THE COURT: Good.

3 MR. KAPLAN: Thank you.

4 THE COURT: Let me see how the jury is doing down  
5 there. Hopefully we have everybody.

6 (Pause.)

7 THE COURT: We are missing six jurors so far, so we  
8 have to wait.

9 THE COURT: Who is the first witness?

10 MS. KASULIS: Sarah Hassan.

11 THE COURT: Is there a list? Do you have a lineup  
12 for me?

13 MS. KASULIS: For today?

14 THE COURT: Yes.

15 MS. KASULIS: Yes, we can provide that, Your Honor.

16 THE COURT: The jurors are all here, so they are  
17 going to be bringing them all in momentarily.

18 (Pause.)

19 (Jury enters the courtroom.)

20 THE COURT: All jurors may be seated. It looks like  
21 we are missing somebody.

22 You all can be seated. Thank you.

23 (Pause.)

24 THE COURT: All right. All jurors are present.

25 Thank you very much, ladies and gentlemen of the

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1 jury. Please have a seat. Good morning, and we are about to  
2 hear from some witnesses.

3 Is the Government prepared to call its first  
4 witness?

5 MS. KASULIS: Yes, your Honor. Shall I call our  
6 first witness?

7 THE COURT: Yes, please.

8 MS. KASULIS: The Government calls Sarah Hassan to  
9 the stand.

10 THE COURT: Thank you.

11 Good morning. Come on up.

12 (Witness the witness stand.)

13 THE COURT: Please raise your right hand.

14 (The witness was sworn.)

15 THE COURT: Please have a seat. Scoot closer to the  
16 microphone. There is water here if you would like.

17 THE WITNESS: Thank you.

18 THE COURT: You may proceed.

19 MS. KASULIS: Thank you, Your Honor.

20 **SARAH HASSAN,**

21 called by the Government, having been duly

22 sworn, was examined and testified as follows:

23 DIRECT EXAMINATION

24 BY MS. KASULIS:

25 Q Please state and spell your name for the record.

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1 A My name is Sarah Hassan, S-a-r-a-h H-a-s-s-a-n.

2 Q Where do you currently live?

3 A In Boca Raton, Florida.

4 Q Did you grow up in Florida?

5 A No, I grew up in New Jersey.

6 Q When did you move to Florida?

7 A About seven years ago.

8 Q How old are you, Ms. Hassan?

9 A 27.

10 Q Are you currently married?

11 A Yes, I am.

12 Q What is your spouse's name?

13 A Melissa.

14 Q Can you please describe your education for the jury?

15 A I have an undergraduate degree from Fairleigh Dickinson  
16 University with a major in entrepreneurial studies. I also  
17 have a master's from Fairleigh Dickinson University with a  
18 dual major in finance and pharmaceutical management.

19 Q When did you obtain your undergraduate degree from  
20 Fairleigh Dickinson?

21 A I think I formally got my degree in February of 2009.

22 Q And how old were you at the time?

23 A I was 19 years old.

24 Q And your master's degree, when did you obtain your  
25 master's degree?

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1 A In May of 2010.

2 Q And how old were you at that time?

3 A I was 20 years old.

4 Q Can you please describe your employment for the jury?

5 A I currently work with a family business. We have a  
6 family medical foods business. I act as our CFO. I'm also a  
7 junior partner at a venture capital group, and I'm a manager  
8 of a family hedge fund called Dynagrow Capital.

9 Q When you say that you are the CFO, what is a CFO?

10 A It's the chief financial officer.

11 Q And what is a chief financial officer?

12 A So I manage, basically, any monetary or money decision we  
13 make. I'm also responsible for making sure that all of your  
14 financial statements are accurate.

15 Q And that was for a family business that you were a CFO?

16 A Yes.

17 Q And what is that family business?

18 A It's a medical foods business.

19 Q What is the name of that business?

20 A IM Health Science.

21 Q You said that you also work for a venture capital group;  
22 is that right?

23 A Yes.

24 Q What is a venture capital group?

25 A We basically make investments in private companies.

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1 Q And then what is Dynagrow Capital? You mentioned  
2 Dynagrow Capital.

3 A That is a family hedge fund.

4 Q When you say family hedge fund, what do you mean by that?

5 A I manage family assets and I make various investments in  
6 it.

7 Q What is a hedge fund?

8 A It's basically a pool of money that's used for  
9 investments. By its very nature, you hedge your bets. There  
10 should be a balancing of the portfolio, in terms of if you do  
11 have an investment that goes down, you have another sort of  
12 waiting it out.

13 Q Now, are any of your family members involved in the  
14 pharmaceutical industry?

15 A Yes.

16 Q Who are they?

17 A I have an uncle who is involved in R and D and my father  
18 was involved in the pharmaceutical industry.

19 Q When you say R and D, what do you mean by that?

20 A Research and development.

21 Q And then you said your father was also involved in the  
22 pharmaceutical industry; is that right?

23 A Yes.

24 Q And who is your father?

25 A My father's name is Fred Hassan.

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1 THE COURT: I'm sorry. This should not be  
2 happening. I apologize.

3 THE WITNESS: No. Please.

4 THE COURT: If anyone has cell phones on at the  
5 counsel table. Please turn them off. Thank you. Sorry about  
6 that.

7 Why don't you start where you left off and maybe go  
8 back one question.

9 MS. KASULIS: Thank you, Your Honor.

10 Q Who is your father?

11 A My father's name is Fred Hassan.

12 Q And you said he was involved in the pharmaceutical  
13 industry?

14 A Yes.

15 Q How is he involved in the pharmaceutical industry?

16 A He was the CEO and chairman of several large companies,  
17 like Pharmacia and Schering-Plough, and he has been involved  
18 in a couple boards.

19 Q Which boards is he currently involved in?

20 A Well, he's not necessarily the pharma industry, but Time  
21 Warner. He's part of Amgen now.

22 Q Is he involved with any private equity groups?

23 A Yes. Yes. He's still involved with Warburg Pincus,  
24 which is a private equity group. He looks at a lot of their  
25 healthcare investments and manages their healthcare

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1 investments.

2 Q When was Dynagrow Capital founded?

3 A Probably the midyear 2010.

4 Q What was your role in Dynagrow?

5 A I'm the manager.

6 Q What does that mean, to be the manager of Dynagrow?

7 A I'm responsible for various investments that we make.

8 Q What kind of investments, generally, do you make in  
9 Dynagrow Capital?

10 A The bulk of our investments are in ETF's, but I do trade  
11 some other equities.

12 Q When you say ETF's, what do you mean by that?

13 A Exchange trade funds. They are essentially funds that  
14 mirror certain pieces of the market. It can mirror the total  
15 market. It can mirror a certain industry. Those are the bulk  
16 of my investments.

17 Q What, if any, role does your father play in Dynagrow  
18 Capital?

19 A He's just a limited partner in the fund, which  
20 essentially means he's kind of like a shareholder investor.

21 Q And you said that he is a limited partner in the fund.  
22 Are there any other kinds of partners in Dynagrow Capital?

23 A There is a GP.

24 Q What is GP?

25 A The general partnership is responsible for managing the

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1 fund.

2 Q Who is the general partner in Dynagrow Capital?

3 A Well, it's technically Dynagrow Capital, LLC is the GP of  
4 Dynagrow Capital, LLP.

5 Q And who manages Dynagrow Capital --

6 A LLC.

7 Q -- what was it?

8 A LLC. I'm the manager of Dynagrow Capital LLC, which is  
9 the GP.

10 Q Who is responsible for making investing decisions with  
11 respect to Dynagrow Capital?

12 A I am.

13 Q Do you know an individual named Martin Shkreli?

14 A Yes.

15 Q And how do you know him?

16 A Well, I've made investments with him in the past and I  
17 know him through several, I guess, long-time colleagues of my  
18 father.

19 Q And when did you first hear of Martin Shkreli?

20 A The first time I heard of Martin Shkreli was October of  
21 2010. I go to the same charity event every year called  
22 Community of Hope of New Jersey and I see some very familiar  
23 faces there, some people I have known for the majority of my  
24 life. One of those people was by the name of Brent Saunders  
25 and Mr. Saunders just happened to mention he made an



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1 investment with someone who was a rising star in the hedge  
2 fund world, so it was a probably a good idea for me to meet  
3 him and possibly learn from him since I was starting to do  
4 some investing in the investment world.

5 Q What was your understanding as to who was the individual  
6 Brent Saunders was referring to?

7 A Excuse me.

8 Q Who was the individual -- when you say Brent Saunders had  
9 referred to an individual who was a rising star in the hedge  
10 fund world, who was that individual?

11 A Martin Shkreli.

12 Q And can you explain who Brent Saunders is?

13 A Well, at the time he was the CEO of Bausch & Lomb. He  
14 has worked with my dad for many, many years. I have seen him  
15 since I was much smaller.

16 Q With respect to the Community of Hope fundraiser, is your  
17 family associated with that fundraiser in any way?

18 A Yes.

19 Q How?

20 A My dad was the gala chair for many, many years for this  
21 particular fundraiser. He really helped get the pharma  
22 industry engrained in it. They fund raise for mostly adults  
23 who have some kind of mental disorder and they do a lot of  
24 work with Veterans as well.

25 Q So after this Community of Hope fundraiser in the fall of

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1 2010, did you have any contact with Martin Shkreli?

2 A Yes.

3 Q And how did that come about?

4 A I received an e-mail from Martin saying that Mr. Saunders  
5 had recommended that the two of us link up.

6 Q And did you have an understanding as to why Mr. Saunders  
7 thought that it would be a good idea that the two of you link  
8 up?

9 A Yes.

10 Q What is your understanding?

11 A Mr. Saunders had suggested that we meet up because I was  
12 trying to learn a bit about the hedge fund world. He thought  
13 Martin would be a good mentor. He was particularly excited  
14 about his track record and the wonderful returns he had been  
15 getting investing in Martin, so he thought it was an  
16 opportunity for me to build a relationship and an opportunity  
17 for me to potentially make money as well.

18 Q When you say investing in Martin, did you know what in  
19 particular he was investing with respect to Martin Shkreli?

20 A Yes.

21 Q What was he investing in?

22 A MSMB Capital.

23 Q How old were you at the time, Ms. Hassan, when you spoke  
24 with Brent Saunders about Martin Shkreli?

25 A I had recently turned 21.

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1 Q And at that point in time did you have an interest in  
2 finance?

3 A Yes.

4 Q What was that interest? Can you please explain that?

5 A Well, we had already started the family hedge fund at  
6 this point. It was an area of focus for me. Even some of my  
7 prior work experience, the last internship I had at college  
8 was at Goldman Sachs. I was always interested in the  
9 industry.

10 Q So how did your first contact with Martin Shkreli come  
11 about?

12 A When I received an e-mail from him.

13 Q And do you know approximately when that was?

14 A It would have been sometime after October.

15 Q And do you know how Martin Shkreli got your e-mail  
16 address?

17 A I'm assuming he obtained it from Mr. Saunders.

18 Q Did you eventually meet Martin Shkreli?

19 A Yes, I did.

20 Q And how did that meeting come about?

21 A We agreed to meet for dinner to discuss his fund.

22 Q Do you know approximately when you met him for dinner?

23 A I don't recall the exact date. It was late 2010.

24 Q So I'm showing you what has been marked for  
25 identification. It is in tab 1 of your binder. It is

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1 Government Exhibit 103-1.

2 MS. KASULIS: Are we having some technical  
3 difficulties?

4 THE COURT: Can you not see it on your screen?

5 MS. KASULIS: I cannot, Your Honor.

6 Q Do you recognize Government Exhibit 103-1?

7 A Yes, I do.

8 MR. BRAFMAN: There is no objection from me, Your  
9 Honor.

10 THE COURT: So you are moving to admit 103-1?

11 MS. KASULIS: Yes, your Honor.

12 THE COURT: Without objection, it is admitted. You  
13 may publish.

14 MS. KASULIS: Thank you.

15 (Government's Exhibit 103-1 was received in  
16 evidence.)

17 Q What is Government Exhibit 1031? Can you please explain  
18 to the jury?

19 A It's an e-mail between Martin and myself to confirm a  
20 dinner meeting.

21 Q And what is the date on the e-mail from Martin Shkreli at  
22 the bottom of the document?

23 A Saturday, December 11, 2010.

24 Q And the subject?

25 A The subject is Monday, dinner at Pera, 6:00 p.m. 303

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1 Madison Avenue.

2 Q And did you, in fact, meet Mr. Shkreli for dinner at  
3 Pera?

4 A Yes, I did.

5 MS. KASULIS: Your Honor, does the jury have small  
6 screens that they can also look at?

7 THE COURT: Yes. To your left on your seat should  
8 be a screen. If you see a wooden platform, you can pull them  
9 up. It slides up. Be careful not to pinch yourselves. You  
10 should be able to see it. I still think it is incredibly  
11 small. If you would make it larger, that would be great.  
12 Thank you.

13 Please proceed.

14 MS. KASULIS: I'm sorry, I just lost it.

15 Q And so the date of this e-mail is Saturday, December 11,  
16 2010 and it refers to a Monday dinner. Would that be December  
17 13, 2010?

18 A Yes.

19 Q And did you, in fact, meet Mr. Shkreli for dinner on  
20 December 13, 2010?

21 A Yes, I did.

22 Q And who else attended that dinner?

23 A It was just the two of us.

24 Q Why did you meet Mr. Shkreli for dinner?

25 A He was telling me about MSMB Capital and the potential of

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1 in investing there and to give me some guidance, someone that  
2 was new in the hedge fund space.

3 Q What did you discuss at that dinner?

4 A We discussed MSMB Capital and he gave me a few pieces of  
5 advisor things to look forwards towards.

6 Q When you say you discussed MSMB Capital, what was MSMB  
7 Capital?

8 A MSMB Capital was his healthcare hedge fund.

9 Q What did you discuss in particular about MSMB Capital?

10 A He just went over some of, I guess, the basics with me  
11 about it. He told me it was a \$40- to 50-million fund. I  
12 believe he mentioned his investors were pretty happy with him,  
13 including people like Mr. Saunders, who introduced the two of  
14 us. He gave me some additional advice about the hedge fund  
15 world. He was saying you should really find a sector to focus  
16 in on. He gave me some book recommendations. He also did say  
17 it is fairly typical for people in this space to make  
18 investments with people they're trying to build relationships  
19 with, and that oftentimes, he said, friends will invest in  
20 each other's funds.

21 Q When you say it was a \$40- to 50-million fund, what do  
22 you mean by that?

23 A That MSMB Capital had \$40 to \$50 million under  
24 management.

25 Q When you say under management, what do you mean by that?

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1 A That between the money that he had raised and the growth  
2 on the money that he had raised that the value of that fund or  
3 the value of the money that he was managing was \$40 to \$50  
4 million.

5 Q And was it your understanding that Mr. Shkreli was  
6 soliciting an investment from you in MSMB Capital at that  
7 dinner?

8 A Yes.

9 Q Did Mr. Shkreli speak to you at all about his own  
10 background in the finance industry?

11 A Briefly. I know he mentioned sometime that he worked for  
12 Jim Cramer and he referenced his own track record with MSMB  
13 Capital as being quite strong. But not much else outside of  
14 that.

15 Q Who is Jim Cramer?

16 A He is a fairly well-known investor. He is kind of a TV  
17 personality too at this point.

18 Q And at this point in time, Ms. Hassan, what was your own  
19 level of experience in the hedge fund world?

20 A It was fairly minimal. We had started our family fund  
21 just a few months prior.

22 Q And did Mr. Mr. Shkreli discuss any other hedge funds  
23 that he had managed in the past?

24 A No.

25 Q When you said that MSMB Capital was a healthcare fund,

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1 what do you mean?

2 A That the investments that he was making were focused the  
3 healthcare sector.

4 Q And what was your impression of the defendant at this  
5 dinner -- excuse me, of Martin Shkreli at this dinner?

6 A He seemed to be pretty smart. He certainly talked  
7 faster, sometimes maybe a little distracted, but -- those are  
8 my general takeaways.

9 MR. BRAFMAN: I'm sorry, Your Honor. Can we have  
10 the end of that answer?

11 THE COURT: Do you want it read back?

12 MR. BRAFMAN: Please.

13 THE COURT: Will the court reporter please read it  
14 back.

15 (The record was read back by the reporter.)

16 Q Was he someone who you were interested in pursuing a  
17 friendship at that point in time?

18 A Not necessarily a friendship. I was more interested in  
19 building a working relationship with him to learn from him.

20 Q And approximately how old was he at that point in time?  
21 What was your impression, generally speaking, of how old he  
22 was?

23 A Late 20's.

24 Q And did you discuss your own family background in the  
25 pharmaceutical industry at the dinner?



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1 A No. He seemed to be fairly cognizant of who my father  
2 was. I'm sure when Mr. Saunders introduced him he must have  
3 made him aware.

4 (Continued on following page.)

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1 (Continuing)

2 BY MS. KASULIS:

3 Q And at that dinner, did Mr. Shkreli discuss with you  
4 whether he had started a company at all?

5 A No.

6 Q Did he discuss with you any ideas that he had for  
7 starting a company?

8 A No.

9 Q Do you see Martin Shkreli anywhere in the courtroom?

10 A Yes, I do.

11 Q Can you please point to him and identify an --

12 MR. BRAFMAN: Stipulate to the identification.

13 THE COURT: I want it on the record, please.

14 THE WITNESS: He's over that way. He has a white  
15 shirt, gray suit jacket, and glasses.

16 THE COURT: I'll note she's identified Mr. Shkreli.

17 MS. KASULIS: As the Defendant, thank you.

18 Q After the dinner in December of 2010, did you have any  
19 additional contact with Defendant?

20 A Yes.

21 Q What form of contact did you have?

22 A Most of our communication was via e-mail.

23 Q In terms of the e-mails, generally speaking, what sorts  
24 of information did you exchange with Mr. Shkreli? What was  
25 the subject of those e-mails?

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1 A We had some e-mails -- I did eventually follow-up on the  
2 investment, investing in MSMB Capital. Beyond that, he would  
3 often send out some potential investment thesis that he  
4 thought was interesting.

5 Q Did he ever recommend any sort of stock picks for you?

6 A Yes, he would send out recommendations. I don't know if  
7 they were specifically for me. It seemed to be part of a  
8 chain e-mail he would send out, but I did get several  
9 recommendations.

10 Q Did he ever discuss with you in those e-mails shorting a  
11 stock?

12 A Yes.

13 Q And what does it mean to short a stock?

14 A You're essentially making a bet that the stock is going  
15 to go down.

16 Q And have you ever heard of the term "going long" in a  
17 stock?

18 A Yes.

19 Q And what does that mean to you?

20 A That you're betting on the stock long-term and that the  
21 value will increase.

22 Q So, I'm showing you what's been marked for identification  
23 as Government Exhibit 103-38. It's in Tab 2 of your binder.

24 And do you recognize this exhibit?

25 A Yes.

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1 Q And what is it?

2 A E-mails between myself and Martin.

3 Q And what is the date on the last e-mail on the chain?

4 A Saturday, December 25, 2010.

5 MS. KASULIS: Your Honor, the Government moves this  
6 exhibit into evidence.

7 MR. BRAFMAN: No objection.

8 THE COURT: We admit Government's Exhibit 103 in  
9 evidence -- 103-38, is that all you're moving?

10 MS. KASULIS: Yes, your Honor.

11 THE COURT: 103-38 is admitted.

12 (Government Exhibit 103-38 so marked.)

13 (Exhibit published to the jury.)

14 Q This appears to be a two-page document e-mail exchange  
15 between yourself and Martin Shkreli at the end of  
16 December 2010; is that correct?

17 A Yes.

18 Q If you start on the second page, the first e-mail in the  
19 chain, can you just generally describe what this e-mail is?

20 A There was a company called MannKind, and he believed that  
21 there would be a significant falloff in the stock price. So,  
22 he was making the recommendation to short the stock.

23 Q And the date on this e-mail is December 25, 2010; is that  
24 right?

25 A Yes.

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1 Q It appears to be, on the prior pages, it says from Martin  
2 Shkreli, then it says to Martin Shkreli.

3 Is it your understanding you were a recipient of  
4 this e-mail?

5 A Yes.

6 Q Is this an example of the kind of stock suggestions that  
7 Mr. Shkreli would e-mail to you periodically during this time  
8 period?

9 A Yes, it's extremely typical.

10 Q If we go to the first page of the document, the bottom of  
11 the page --

12 MS. KASULIS: If you would please zoom in.

13 Q -- it appears that Mr. Shkreli then sent this to you and  
14 stated: Hi, Sarah. I thought I'd send my latest idea over  
15 your way. Every now and then a trade becomes so compelling I  
16 write it up to my current investors. Hope you are well.

17 Then in response, you sent him an e-mail dated  
18 December 27, 2010. Can you please read the last two sentences  
19 of the first paragraph of your e-mail?

20 A I remember you mentioned your fund is approximately  
21 \$40 million. What did you set your minimum investment for a  
22 fund of that size?

23 Q And when you mentioned, you stated, "your fund," what  
24 fund were you referring to?

25 A MSMB Capital.

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1 Q And when you say 40 million, approximately 40 million,  
2 what do you mean by that?

3 A Again, referring to his assets under management at MSMB  
4 Capital.

5 Q And when you said what is your minimum investment for a  
6 fund of that size, what do you mean by that?

7 A Typically, funds will set some kind of minimum investment  
8 and you can't invest any less money than that minimum.

9 Q If we can go to the response to this e-mail. That  
10 response is dated the same day, from Mr. Shkreli, on  
11 December 27, 2010 to you.

12 If you could, please read the last sentence of the  
13 first paragraph.

14 A I mostly sent them to my clients for the reasons you  
15 suggested and only rarely when I feel -- sorry, last sentence.

16 My stated minimum is \$250,000. But for friends or  
17 strategic clients, there is no minimum.

18 Q Thank you. You can set that exhibit aside.

19 Did the Defendant ever approach you about meeting  
20 your father, Fred Hassan?

21 A At a certain point, yes.

22 Q And when was that?

23 A I believe at the JP Morgan conference.

24 Q And when was the JP Morgan conference?

25 A I don't exactly recall.

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1 Q Was it shortly after you first met Mr. Shkreli?

2 A It was some time after. I forget exactly when.

3 Q And what is the JP Morgan conference that you're  
4 referring to?

5 A It's a large healthcare conference.

6 Q And what is your understanding as to how often the  
7 conference is held?

8 A I believe it's an annual conference.

9 Q Did you reach out to your father about Mr. Shkreli and  
10 the JP Morgan healthcare conference?

11 A I did ask if he would take a couple of minutes to meet  
12 with Martin.

13 Q And did your father agree to do that?

14 A Yes.

15 Q Now, I'm showing you what's been marked for  
16 identification as GX, or Government Exhibit, 103-2. It's Tab  
17 3 of your binder.

18 Do you recognize this exhibit?

19 A Yes.

20 Q And what is it?

21 A E-mails between myself and Martin.

22 Q And what is the date on the e-mail, the last e-mail on  
23 the chain?

24 A It's January 8, 2011.

25 Q And on the first page, the very last e-mail, at the top

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1 is January 11 of 2011?

2 A Yes.

3 MS. KASULIS: Government moves this exhibit into  
4 evidence, your Honor.

5 MR. BRAFMAN: No objection, your Honor.

6 THE COURT: We admit Government 103-2.

7 (Government Exhibit 103-2 so marked.)

8 (Exhibit published to the jury.)

9 Q Referring to the second page of this document, the first  
10 e-mail in the chain, it appears to be from the Defendant to  
11 you, dated January 8 of 2011. Mr. Shkreli writes to you: Hi  
12 there. I was wondering if you'd be in San Francisco for the  
13 JP Morgan healthcare conference next week.

14 Is this the healthcare conference that you were  
15 referring to?

16 A Yes, it is.

17 Q He then states: If not, I did hear from Brent that  
18 Mr. Hassan would be attending.

19 What is your understanding of who Brent is?

20 A Brent Saunders.

21 Q I'd love to sit down with him if possible. I've known  
22 Ken and Brent for a while now and I'm going to have them ask  
23 as well but figured I should approach you too.

24 Mr. Shkreli, the Defendant, appears to reference  
25 "Ken." Do you know who Ken is?



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1 A Mr. Banta, Ken Banta.

2 Q Who is Ken Banta?

3 A A gentleman my dad worked with for quite some time. I  
4 believe he works in PR.

5 Q Sorry, I didn't hear that at the end?

6 A I believe he works in PR, public relations.

7 Q And did he work at any of the companies that your father  
8 previously worked at?

9 A I forget which ones he worked at, but him and Mr. Banta  
10 worked together for quite some time.

11 Q And in response to your e-mail -- his e-mail, on the  
12 first page at bottom, dated January 11, 2011, can you please  
13 read your response?

14 A Hi, Martin. Sorry for the delay. I am not in San  
15 Francisco for the conference; however, you are correct in that  
16 my father is there. I'm trying to get him this morning to see  
17 if he can meet with you for a few minutes today. What does  
18 your availability look like for the day? Hope all is well.  
19 Best, Sarah.

20 Q Is it your understanding that your father is someone who  
21 meets with a lot of individuals at this conference?

22 A Yes, his schedule is pretty full when he's there.

23 Q What is the purpose of the conference?

24 A It's a general healthcare conference. It's a place that  
25 you can potentially go to find new investments in the

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1 healthcare world, you can continue networking. It's just a  
2 large healthcare conference.

3 Q And in response, it appears that Mr. Shkreli gives you  
4 some information about his availability?

5 A Yes.

6 Q And then you write, and I'm going to direct your  
7 attention to your response at the top, dated January 11, 2011  
8 at 7:45 a.m.

9 Can you please read your response to Mr. Shkreli?

10 A Martin, just to keep you updated, I was able to get ahold  
11 of my father. He said he would spend a few minutes with you  
12 this afternoon. He just needs to confirm a meeting time with  
13 someone and he'll let me know what time works for him. It  
14 will be some time in the afternoon. I'll e-mail you as soon  
15 as I get a time from him. Sarah.

16 Q And in response, he writes: Thanks a lot, Sarah; at the  
17 top?

18 A Yes.

19 Q And it's your understanding that your father did, in  
20 fact, meet with Mr. Shkreli?

21 A Yes.

22 Q Now, during this same time period, January 2011 time  
23 period, did you make any decisions regarding whether you  
24 wanted to invest in MSMB Capital?

25 A In that time period, yes.

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1 Q And how much did you decide to invest?

2 A \$300,000.

3 Q And why that amount?

4 A He had stated at some point that \$250,000 was his  
5 minimum. And I was trying to build a relationship, so I  
6 wanted to make a sign or some kind of showing that I was very  
7 interested in facilitating that relationship and investing in  
8 him and MSMB Capital.

9 Q And who made this investment?

10 A I made this investment personally.

11 Q As opposed to the investment being from Dynagrow?

12 A Yes.

13 Q And why did you decide to invest personally as opposed to  
14 investing through Dynagrow?

15 A It was a relationship that I was trying to build. I  
16 didn't -- it seemed inappropriate to invest out of the fund.

17 Q Did your father invest in MSMB Capital?

18 A No.

19 Q What was your father's role, if any, in MSMB Capital?

20 A None whatsoever.

21 Q Was your father aware that you had invested in MSMB  
22 Capital?

23 A I don't know if he was aware.

24 Q Did you receive any materials from the Defendant  
25 regarding MSMB Capital to review prior to your investment?

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1 A Yes.

2 Q And did you, in fact, review those materials?

3 A Yes.

4 Q I'm showing you what's been marked for identification as  
5 Government Exhibits 5 and 103-3. They're in Tabs 4 and 5 of  
6 your binder, Ms. Hassan.

7 And do you recognize these documents?

8 A Yes, I do.

9 Q And what are they?

10 A It's the subscription agreement, the PPM, wiring  
11 instructions, and an investor questionnaire.

12 Q And are these the materials that were sent to you to  
13 review prior to investing in MSMB Capital?

14 A Yes.

15 Q And is Government Exhibit 5 a subset of Government  
16 Exhibit 103-3?

17 A Yes.

18 MS. KASULIS: The Government moves both of these  
19 exhibits into evidence.

20 MR. BRAFMAN: No objection, your Honor.

21 THE COURT: Government Exhibits 5 and 103-3 are  
22 admitted without objection.

23 MS. KASULIS: Thank you, your Honor.

24 (Government Exhibit 5 so marked.)

25 (Government Exhibit 103-3 so marked.)

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1 Q Are these the documents you reviewed prior to investing?

2 A Yes.

3 Q Let's starts with Government Exhibit 103-3.

4 (Exhibit published to the jury.)

5 Q It appears to be e-mail from the Defendant to you, dated  
6 January 14, 2011. The subject is documents. You made some  
7 references to the various documents that are attached. Let's  
8 just first start with what each of these documents is.

9 So, first, MSMB Capital Management, LP, wiring  
10 instructions, what is your understanding as to why wiring  
11 instructions were attached?

12 A If we decided to move forward with the investment, I  
13 would already have them to be able to send funds over.

14 Q And MSMB Capital Management, LP, the next attachment,  
15 subscription agreement, what is your understanding as to what  
16 a subscription agreement is?

17 A It's an agreement you sign when you want to buy stock in  
18 a private company.

19 Q And the next attachment, MSMB Capital Management, LP,  
20 private placement memorandum --

21 THE COURT: Would you refer to a Bates stamp number,  
22 please?

23 MS. KASULIS: Yes. The first page SH-EDNY0000133.

24 THE COURT: Thank you.

25 Q And it appears that the date on this attachment is

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1 August 3 of 2010.

2 What is a private --

3 A Sorry, August 3?

4 Q If you look at the title of the document, it's MSMB  
5 Capital Management, LP, Private Placement Memorandum, and then  
6 8-3-2010.

7 A Okay.

8 Q What is a private placement memorandum?

9 A It's another document that's commonly used when  
10 purchasing a stock or equity in a private company. It usually  
11 is an opportunity to give some disclosures to the investors.

12 Q And is a private placement memorandum commonly referred  
13 to as a "PPM"?

14 A Yes.

15 Q And then the next document is entitled MSMB Capital  
16 Management, LP, Individual Questionnaire.

17 What is an individual questionnaire?

18 A It's a form you fill out about the individual investor  
19 just to make sure they are an accredited investor that can  
20 execute an investment in the company.

21 Q And then it appears the attachments are just duplicated  
22 again; is that right?

23 A Yes, that's correct.

24 Q Let's turn to the subscription agreement, which is Bates  
25 No. SH-EDNY0000135. Is this the subscription agreement,

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1 Ms. Hassan?

2 A Yes, it is.

3 Q Let's look at the second page, with the Bates number  
4 ending 136. In the first paragraph, the first sentence is:  
5 You have informed the undersigned, the subscriber, that MSMB  
6 Capital Management, LP, has been organized as a Delaware  
7 limited partnership.

8 And it's defined as the partnership; do you see  
9 that?

10 A Yes.

11 Q And then it goes on to say: Of which MSMB Investors,  
12 LLC, is the general partner.

13 And then it's defined as the general partner; do you  
14 see that?

15 A Yes.

16 Q And then the last sentence of the paragraph states:  
17 Limited partnership interests in the partnership, partnership  
18 interests, are described in an offer pursuant to the  
19 memorandum.

20 Is it your understanding it's a reference to the  
21 PPM?

22 A Yes.

23 Q And the minimum investment therein is \$1 million unless  
24 the general partner of the partnership otherwise consents.

25 What was your understanding at this time as to what

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1 the minimum investment was in the fund?

2 A The stated minimum was \$1 million, but it's not atypical  
3 for a GP or a manager to leave some leeway in there for them  
4 to be able to offer a lower amount, usually for friends and  
5 family.

6 Q And who was the GP at this time, the general partner, of  
7 the MSMB Capital fund?

8 A MSMB Investors, LLC.

9 Q And did you have an understanding as to who controlled  
10 that entity?

11 A Yes.

12 Q Who was that?

13 A Martin Shkreli.

14 Q Now, let's turn to the page ending in 145.

15 Can you describe this page for the jury?

16 A This is the signature page. This is where you sign off  
17 that you are investing.

18 Q And let's now turn to Government Exhibit 5 and the first  
19 page of the document, which ends in --

20 Again, this is a subset of the GX103-3; is that  
21 right?

22 A Yes, that's correct.

23 Q And the first page of the document, which is Bates  
24 numbered SH-EDNY0000227, is this the first page of the PPM?

25 A Yes, it is.



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1 Q And it's for MSMB Capital, the hedge fund that you were  
2 investing in?

3 A Yes, that's correct.

4 Q And if you look at the managing partner, who is listed  
5 there?

6 A Martin Shkreli.

7 Q And the date on this document?

8 A June 9, 2010.

9 Q Now, if you turn to the second page, which ends in Bates  
10 No. 228, it appears that in the first sentence it states that  
11 the PPM relates to the offering by MSMB Capital Management,  
12 LP. It goes on to define it as the partnership of limited  
13 partner interests, quote, the partnership interests in the  
14 partnership. The partnership interests are being offered to a  
15 limited number of individual or institutional investors that  
16 generally have a net worth of \$1 million or meet certain other  
17 qualifications and meet certain suitability standards.

18 Did you, in fact, have at the time a net worth of  
19 \$1 million?

20 A Yes.

21 Q And in terms of -- you had stated that you had decided to  
22 invest \$300,000. How much of that or what percentage of that  
23 was your net worth?

24 A My net worth was just over a million, so it was probably  
25 about 30 percent of my net worth.

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1 Q Was that a sizeable amount of money for you at the time?

2 A It was quite significant.

3 Q It then goes on in the paragraph to state: The sole  
4 general partner of this partnership will be MSMB Investors,  
5 LLC.

6 And it defines the general partner, and then: The  
7 general partner will have responsibility for the management  
8 and control of the partnership.

9 Again, what was your understanding as to who was  
10 controlling the general partner at MSMB Capital?

11 A Martin Shkreli.

12 Q Last sentence of this paragraph states: Martin Shkreli  
13 will act as the portfolio manager for the partnership and will  
14 be responsible for all investment decisions regarding the  
15 partnership on behalf of the advisor.

16 Was this statement consistent with your  
17 understanding as to who was controlling MSMB Capital?

18 A Yes.

19 Q The next sentence -- excuse me, the next paragraph, first  
20 sentence, explains that the partnership's investment objective  
21 will be to seek superior absolute returns while attempting to  
22 minimize portfolio volatility, primarily through long and  
23 short equity investments.

24 What is your understanding of what long and short  
25 equity investments is?

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1 A My understanding is that there would be purchasing some  
2 equities with the anticipation of them going up over time and  
3 that they would be short selling some with the anticipation  
4 that those stocks would go down.

5 Q Was it important to you that there was this mix of long  
6 and short equity investments?

7 A Yeah. I think it's important to have a balance in a  
8 portfolio.

9 Q Was there any discussion here or at the time of investing  
10 MSMB Capital money in any private company run by the  
11 Defendant?

12 A Not that I was aware of.

13 Q Now, lower down on the page, in bold, it states: An  
14 investment in the partnership will involve significant risks.  
15 There is no assurance that the partnership will achieve its  
16 investment objective or be profitable. Then it references the  
17 risk factors section.

18 What was your understanding about the degree of risk  
19 for your investment in MSMB Capital?

20 A Again, I think there's some level of risk in any  
21 investment you can make. But, again, my understanding was  
22 this was also a hedge fund, and, as I stated earlier, by its  
23 very nature there's usually some diversification or offsetting  
24 investments or -- you know, it's just a portion of the fund,  
25 there should be things offsetting it somewhere else.

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1 Q What or who were you relying on in assessing that risk to  
2 your investment at MSMB Capital?

3 A Martin.

4 Q Are you referring to the Defendant, Martin Shkreli?

5 A Yes.

6 Q Now, directing your attention to the page of this  
7 document ending in Bates No. 255, and directing your attention  
8 to the section entitled "management fee," what is a management  
9 fee?

10 A It's the fee that the manager gets for managing the fund.

11 Q And the first sentence of this paragraph explains that  
12 the advisor will be entitled to receive a management fee from  
13 the partnership, payable quarterly at the rate of .25 percent  
14 per calendar year and 1 percent per annum.

15 What does that mean?

16 A It means that he essentially made one percent of the  
17 assets under management annually and he paid it out quarterly.

18 Q Paid it out to whom?

19 A Himself.

20 Q And if we go to the next page, ending in Bates No. 256,  
21 and the third paragraph, it explains that the general partner  
22 will receive its pro rata share based on its capital account  
23 of the net profits, and then it's defined as any excessive  
24 investment gains and net operating profits over investment  
25 losses and net operating losses of the partnership for each

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1 fiscal year plus incentive allocation equal to 20 percent of  
2 the net profits originally allocated to each limited partner  
3 for such fiscal year as more fully described below.

4 Can you please explain what this 20 percent number  
5 is to you?

6 A So, 20 percent of the net profits would also go to the  
7 GP. And you look at all the profits and you take away any  
8 losses, take away natural expenses from operating the fund,  
9 and 20 percent of that goes to the GP.

10 Q And who was the controlling -- the GP at this point in  
11 time?

12 A Martin Shkreli.

13 Q Now, directing your attention to the page that ends in  
14 260, and then the section entitled "auditors," the first two  
15 sentences read: Rothstein Kass & Company, New York, New York,  
16 will serve as the partnership's independent accountants. Such  
17 firm will audit the annual financial statements of the  
18 partnership and prepare a statement of each partner's capital  
19 account for such year.

20 What is an auditor?

21 A A third/independent party who essentially verifies and  
22 validates all of your financials.

23 Q And what do you mean by the financials?

24 A You have different financial statements to show profit  
25 and loss and cash flow and, basically, the movement of money

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1 within a company.

2 Q And was it important to you that MSMB Capital had an  
3 auditor when you were making your decision to invest?

4 A Yes.

5 Q Why is that?

6 A It's important to have a third party/independent party  
7 validate all of the information.

8 Q And now directing your attention to the page ending in  
9 263, this section, entitled "withdrawals by partners," the  
10 first sentence reads: Limited partners may withdraw any or  
11 all of their capital account subject to certain reserves which  
12 may be established by the general partner to cover contingent  
13 liabilities of the partnership monthly as of the last day of  
14 each calendar month, commencing one full month after the date  
15 of their initial investment in the partnership, upon not less  
16 than 30 days prior notice to the general partner.

17 What was your understanding of what the parameters  
18 were with respect to withdrawing the money from MSMB Capital?

19 A My understanding is that you did have the ability to  
20 withdraw money, but you have to give at least a month's notice  
21 to be able to do so and that there may be some stipulations in  
22 terms of if there's some absolute minimum amount the GP needs  
23 to continue in certain investments.

24 But generally speaking, you could obtain your funds  
25 in about 30 days.

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1 Q So, that ability to withdraw your funds, is that often  
2 referred to as being able to redeem or asking for a redemption  
3 of your money?

4 A Yes.

5 Q And was the ability to redeem or to ask for redemption of  
6 your money from MSMB Capital important to you when you made  
7 your decision to invest?

8 A Yeah, it's generally helpful to have an investment that's  
9 more liquid.

10 Q And what do you mean by "more liquid"?

11 A If it's -- it's easy to turn into cash if you need to.

12

13 (Continued on next page.)

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1 (Continuing)

2 Q And prior to investing at MSMB Capital, did you know  
3 about any other investors in the fund?

4 A The only one I think I was aware of was Mr. Saunders.

5 Q Now, which factors were important to you when you decided  
6 to make your investment in MSMB Capital?

7 A Several things. I mean, I knew he was managing a 40 to  
8 \$50 million fund, which is a generally really healthy fund  
9 size, and I knew he had really phenomenal returns. But the  
10 one investor I did know was fairly ecstatic about them.

11 Q And why was the fund size important to you?

12 A It's a healthy size. If it's too small, you have a hard  
13 time really, you know, getting any movement or momentum. It's  
14 hard to make any significant investments. And if it's too  
15 big, it's hard to get solid returns.

16 Q And was having an auditor important to you?

17 A Yes.

18 Q And the ability to redeem your money?

19 A Yes.

20 Q And the mix of long and short equity positions in the  
21 fund?

22 A The short positions weren't as necessary to me, they  
23 weren't as essential to me. But it was necessary, in my mind,  
24 to have long positions.

25 Q Now, at this time, if the defendant had run a prior hedge



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1 fund that had performed poorly, would that have been important  
2 for you to know at the time you were making your investment in  
3 MSMB Capital?

4 MR. BRAFMAN: Objection.

5 THE COURT: I'm going to overrule the objection.

6 You may answer.

7 A Yes.

8 Q Why is that?

9 A It's very important to know what someone's track record  
10 is. It's very common in the hedge fund world that you make  
11 investments in someone's current fund based on their track  
12 records of old funds. So, if there was an old fund that I  
13 could have used to make a decision, that would have been very  
14 helpful.

15 Q If MSMB Capital had not performed well prior to  
16 January of 2011 when you had invested in the fund, would that  
17 have been important for you to know?

18 A Yes.

19 Q Why?

20 A For the same reason; it's important to get an  
21 understanding of a manager's track record.

22 Q And when you invested in MSMB Capital, what was your  
23 understanding of what the hedge fund was investing in?

24 A Generally, healthcare investments.

25 Q And when you say healthcare investments, what kind of

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1 investments?

2 A I thought mostly public equities.

3 Q When you say public equities, what do you mean?

4 A I thought he was trading stocks of public companies.

5 Q What about private companies?

6 A We had never really discussed it. I didn't, I, I didn't  
7 think it was a big portion. Or if at all.

8 Q At this point in time, January of 2011, had you heard of  
9 a company called Retrophin?

10 A No, I had not.

11 Q Did you even know if that company existed or not?

12 A I was not aware of its existence.

13 Q Up until this point in time, had you invested in any  
14 other hedge funds?

15 A No.

16 THE COURT: Can we just define point of time,  
17 please.

18 MS. KASULIS: Yes.

19 Q In the January of 2011 time period when you invested in  
20 MSMB Capital.

21 At that point in time, had you invested in any other  
22 hedge funds?

23 A No, I had not.

24 Q Why not?

25 A I was fairly new to the space. It was the first

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1 interesting opportunity I had looked at.

2 Q And did you, in fact, invest the \$300,000 in January of  
3 2011?

4 A Yes, I did move forward with the investment.

5 Q Now, after you invested your money, did you begin to  
6 receive performance updates regarding your investment in MSMB  
7 Capital?

8 A Yes, I did.

9 Q And how often did you receive those updates?

10 A It depended. They were somewhat sporadic. I don't know  
11 that there was a set time to get them.

12 Q Was it on a weekly basis? A monthly basis? A yearly  
13 basis? Do you recall?

14 A I believe they initially started off as being monthly,  
15 but they, they, they came less and less frequent.

16 Q And in what form did you receive those performance  
17 updates?

18 A I'd usually get an e-mail from Martin.

19 Q What was your understanding of who prepared the  
20 performance updates for MSMB Capital?

21 A I didn't know who prepared them. I thought Martin did.

22 Q Did you know of any anyone else who was involved in MSMB  
23 Capital other than the defendant Martin Shkreli?

24 A No.

25 Q And what kind of information was included on those

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1 performance updates that you received for MSMB Capital?

2 A They would update me as to how much my investment was  
3 worth. It would often compare my investment and the growth of  
4 my investment in MSMB Capital versus the S&P 500, both on a  
5 monthly basis and on a year-to-date basis.

6 Q And what is the S&P 500?

7 A It's a group of 500 stocks that are used to essentially  
8 represent the market. So, you can use it as a benchmark to  
9 see how well you're doing against the market.

10 Q Was there any information in the performance updates  
11 about what the fund was actually invested in?

12 A No.

13 MS. KASULIS: I'm showing you two Exhibits that have  
14 been marked for identification at tabs seven and eight. They  
15 are GX 80-1 and 80-2.

16 THE WITNESS: Hiccups, sorry.

17 Q Do you recognize these two Exhibits?

18 A Yes, I do.

19 Q What are they?

20 A These are some of the common statements that I would get.

21 MS. KASULIS: The Government moves Government's  
22 Exhibits 80-1 and 80-2 into evidence.

23 THE COURT: Any objection, Mr. Brafman?

24 MR. BRAFMAN: No, Your Honor.

25 THE COURT: We will admit Government's Exhibits 80

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1 will one and 80-two without objection.

2 (Government's Exhibits 80-1 and 80-2 received in  
3 evidence.)

4 (Exhibit published to jury.)

5 Q And let's look at the first Exhibit. Government's  
6 Exhibit 80-1.

7 What is the date on this e-mail?

8 A It's March 2nd, 2011.

9 Q And who is the e-mail from?

10 A Martin Shkreli.

11 Q And the recipient?

12 A Myself.

13 Q And is that your e-mail address?

14 A Yes, it is.

15 Q The subject of the e-mail?

16 A MSMB performance estimate.

17 Q And is this type of document reflective of one of the  
18 performance updates that you would receive from the defendant  
19 Martin Shkreli?

20 A Yes. There were essentially all in this format.

21 Q Let's look at the body of the e-mail. The first section  
22 is entitled gross returns.

23 What are gross returns?

24 A The overall returns.

25 Q Can you please read the first line under gross returns.

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1 A MSMB returned a positive 4.24 percent in February 2011.

2 The S&P 500 Index returned 3.2 percent of February 2011.

3 Q And was this the first performance update you received  
4 after you invested in MSMB Capital?

5 A I believe so.

6 Q Can you please explain the positive 4.24 percent in  
7 February 2011.

8 What does that mean?

9 A It means that the overall increase of the assets under  
10 management, assuming there were no other investments, was  
11 increased by 4.24 percent. So, through his investing, he had  
12 a profit of 4.2 percent.

13 Q And then, in the next sentence, that's the comparison to  
14 the S&P 500 Index that you were referencing?

15 A Yes, it is.

16 Q And what was the return for that month for the S&P 500  
17 Index?

18 A It was 3.2 percent.

19 Q And so MSMB Capital, according to this document, had  
20 higher returns in the month of February 2011 than the S&P 500  
21 Index; is that right?

22 A Yes, by roughly 30 percent.

23 Q The next sentence, can you please read that sentence.

24 A MSMB has returned 8.2 percent year-to-date. The S&P 500  
25 Index has returned 5.54 year-to-date.

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1 Q And so YTD, is that year to date?

2 A Yes, sorry, YTD is year-to-date.

3 Q And we're seeing this on multiple references to MSMB.

4 What was MSMB to you?

5 A MSMB Capital.

6 Q Were you aware of whether there were any other hedge  
7 funds that the defendant was managing at this point in time?

8 A No, I was not.

9 Q And the next sentence, can you please read this for the  
10 jury.

11 A MSMB has returned 41.71 percent since inception on  
12 11/1/2009. The S&P 500 Index has returned 28.04 percent  
13 during this period.

14 Q And what is inception?

15 A Since the start of this fund. He started the fund,  
16 started investing in November 1st, 2009.

17 Q And there was a 41 percent --

18 A Yeah.

19 Q -- gross return?

20 A Yes, there was.

21 Q And the next section is entitled account values.

22 Can you please read that sentence under account  
23 values. The two sentences.

24 A You invested \$300,000 on the first -- on the 17th of  
25 January 2011. The value of this investment is now

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1 approximately \$324,600 gross of fees.

2 Q What is gross of fees?

3 A It's saying, even with fees.

4 Q So, in one month, according to this document, you made  
5 over \$24,000 on your investment?

6 A Yes.

7 Q What was your reaction when you received this update?

8 A I was fairly ecstatic, I was quite excited about the  
9 investment at this point.

10 Q Now, in this time period, March, early March of 2011, did  
11 the defendant say anything to you about any losses in  
12 MSMB Capital in the prior month, February 2011?

13 A I don't believe so.

14 Q And this Exhibit, Government's Exhibit 80-1, does it  
15 reflect any losses to the fund in February of 2011?

16 A No.

17 Q Does it, in fact, reflect a gain in the fund for that  
18 month?

19 A Yes.

20 Q During this time period, did the defendant speak to you  
21 about any sort of short position that had not performed well  
22 that he had taken in MSMB Capital?

23 A I don't believe so.

24 Q At this point in time, did you consider asking for a  
25 redemption of your money?



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1 A No.

2 Q Why not?

3 A I mean, already in a short time there was pretty healthy  
4 returns so I wasn't anxious to redeem the capital and I didn't  
5 have any other immediate need for it.

6 Q And if we look at the next document, Government's  
7 Exhibit 80-2. It's dated April 10th of 2011. It's an e-mail  
8 from the defendant to you.

9 Again, is this just a performance update for the  
10 next month, for March of 2011?

11 A Yes.

12 Q And what were the gross returns for MSMB that month?

13 A .67 percent.

14 Q And under the account value section, can you please read  
15 those two sentences?

16 A You invested \$300,000 on 1/17/2011. The value of this  
17 investment is approximately \$326,778 gross of fees.

18 Q So, according to this document, you again had increased  
19 your investment in MSMB Capital over the course of March 2011?

20 A Yes, it had grown.

21 Q For what period of time did you receive performance  
22 updates for MSMB Capital?

23 A I don't recall the last date I got them.

24 Q Do you generally recall over what period of time you  
25 received updates?

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1 A Probably a year-and-a-half?

2 Q And who sent those updates to you?

3 A I always received them from Martin.

4 Q Based on those updates, what was your impression of the  
5 performance of MSMB Capital over that time?

6 A I thought that the fund had done extremely well.

7 Q Did you have any reason to question the accuracy of those  
8 performance updates?

9 A No. I trusted Martin and trusted the numbers I was being  
10 presented with.

11 Q Separate from the investor updates that you received, did  
12 you speak to the defendant in the 2011 time period about the  
13 performance of MSMB Capital?

14 A I don't know if we had a direct conversation on it.

15 Q And during this time period, the 2011 time period, did  
16 the defendant ever speak to you about any trading losses that  
17 MSMB Capital had sustained?

18 A I don't believe he told me about any specific losses, but  
19 I don't recall.

20 Q And during this time period -- again, the 2011 time  
21 period -- what was your understanding as to what MSMB Capital  
22 was invested in?

23 A I believed that they were mostly invested in different  
24 public healthcare securities or equities.

25 Q And did you believe that there was a mix of investments

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1 in the portfolio at that time?

2 A Yes.

3 Q And what was your understanding of the assets under  
4 management or the size of MSMB Capital in 2011?

5 A That they were between 40 to \$50 million. And I also  
6 thought they were diversified because it was one of the  
7 questions I did ask him about in our correspondence. He told  
8 me unless there was some extraordinary circumstance, that  
9 usually the individual investments don't make up more than  
10 five percent of the portfolio.

11 MS. KASULIS: I'm going to direct your attention to  
12 tabs 9 through 19 of your binder. It's Government's  
13 Exhibits 80-3 through 80-13.

14 Q Do you recognize these documents?

15 A Yes, I do.

16 Q And what are they?

17 A They are more of these MSMB Capital performance  
18 estimates.

19 Q Do they appear to be for the time period between  
20 April 2011 through December of 2011?

21 A Yes.

22 MS. KASULIS: The Government moves these Exhibits  
23 into evidence.

24 MR. BRAFMAN: No objection, Your Honor.

25 THE COURT: We will receive Government's

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1 Exhibits 80-3 through 80-13.

2 (Government's Exhibits 80-3 through 80-13 received  
3 in evidence.)

4 (Exhibits published to jury.)

5 MS. KASULIS: Directing your attention to the last  
6 Exhibit, Government's Exhibit 80-13. That would be tab 19.

7 MR. BRAFMAN: Excuse me, Your Honor, could the  
8 document be made a little bit larger?

9 Thank you.

10 Q Does this appear to be a performance update that you  
11 received from the defendant dated March 4th of 2012?

12 A Yes.

13 Q Is it for -- it's entitled MSMB performance estimate.

14 A Yes, it is.

15 Q What was your understanding as to what MSMB referred to?

16 A MSMB Capital.

17 Q Does this document appear to be a performance update for  
18 MSMB Capital for December of 2011?

19 A Yes, it does.

20 Q And so, you received this document in March, multiple  
21 months after December of 2011.

22 Was that typical in terms of receiving these  
23 performance updates?

24 A Not initially, but they did become more sporadic as time  
25 went on.

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1 Q And did you speak to the defendant about the more  
2 sporadic nature of the performance updates for MSMB Capital?

3 A I don't believe so.

4 Q Why not?

5 A They were still coming. I was still getting some form of  
6 update.

7 Q If you look under the section of net returns, can you  
8 please read the last sentence.

9 A The last two sentences?

10 Q Actually --

11 MS. KASULIS: Withdrawn.

12 Q Why don't we read the first sentence under net returns?

13 A MSMB returned 13.61 percent net in December 2011. The  
14 S&P 500 Index returned .85 percent in December 2011.

15 Q And the last sentence in that section. The last two  
16 sentences.

17 A MSMB has returned 48.29 percent net of fees since  
18 inception on 11/1/2009. The S&P Index has returned  
19 21.37 percent during this period.

20 Q And so what was your understanding of the performance of  
21 the fund at this point in time?

22 A That he was more than doubling the performance of the  
23 market.

24 Q And what was your reaction to that?

25 A I was very excited about it.

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1 Q Then let's look at the next section entitled account  
2 values.

3 Can you please read those two sentences for the  
4 jury.

5 A You invested \$300,000 on January 17th, 2011. The value  
6 of this investment is now approximately \$359,600 net of fees  
7 or 19.87 percent year-to-date and since the inception of your  
8 investment.

9 Q So, according to this update you had made almost  
10 20 percent on your investment with MSMB Capital?

11 A Yes.

12 Q And that was almost 59 or a little over \$59,000 that you  
13 had made on your investment?

14 A Yes.

15 Q Did you have any access to MSMB Capital's brokerage or  
16 trading accounts?

17 A No, I did not.

18 Q And did you have any access to MSMB Capital's bank  
19 accounts?

20 A No, I did not.

21 Q At any point in the time you invested in MSMB Capital did  
22 you have access to either brokerage accounts for MSMB Capital  
23 or bank accounts for MSMB Capital?

24 A No, I did not.

25 Q Did you ever receive statements from those brokerage

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1 accounts and bank accounts from MSMB Capital?

2 A No, I did not.

3 Q What were your sources of information as to the  
4 performance of MSMB Capital throughout the time that you  
5 invested in the fund?

6 A I relied, essentially, exclusively on these estimates.

7 Q And who were you receiving these estimates from?

8 A Martin Shkreli.

9 Q Throughout 2011 did you consider redeeming or withdrawing  
10 your money from MSMB Capital?

11 A No, I did not.

12 Q Why not?

13 A Because they were pretty phenomenal returns.

14 Q After your initial investment of \$300,000 in MSMB Capital  
15 in January of 2011, did you see the defendant again?

16 A Yes.

17 Q And do you know approximately when you saw him?

18 A A couple months later. More like March or April.

19 Q And that was of 2011?

20 A Yes.

21 Q And why did you see him?

22 A He said that there was some kind of new company or idea  
23 he was working on and he wanted to share it with me.

24 Q And where did you see him?

25 A We first met for lunch, I don't exactly recall where.

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1 And then we went to his office.

2 Q Where was the office?

3 A It was in Manhattan, but I don't recall where.

4 Q Was there anyone else with you when you met him?

5 A There was someone else in the room, but to be frank, I  
6 don't remember who it was.

7 Q And this was at the office itself?

8 A Yes.

9 Q During that meeting, did you have any discussions with  
10 the defendant regarding MSMB Capital?

11 A Not that I recall.

12 Q And at this point this time, April of -- March/April, you  
13 said, of 2011, were you aware of whether the defendant had any  
14 other hedge funds that he was managing?

15 A No.

16 Q What did you discuss with Martin Shkreli during that  
17 meeting in his office?

18 A He went over a pitch deck for a company called Retrophin.

19 Q Did you discuss that pitch deck?

20 A Yes, he went through it.

21 Q What do you recall that you discussed about Retrophin?

22 A I recall him saying that there was some kind of either  
23 patents or research that had been done in the space of  
24 muscular dystrophy that he thought were really interesting,  
25 and I think there was some evidence in mice at that point that



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1 seemed really promising, and that he had taken that and was  
2 going to be starting a new business of which he would just be  
3 temporarily getting off the ground and would eventually have  
4 someone else run, but that he would start.

5 Q And what was the nature of the business?

6 A It was pharmaceutical company for -- particularly  
7 interested in muscular dystrophy.

8 Q Have you ever heard of the expression orphan drugs?

9 A Yes.

10 Q What does that mean to you?

11 A Orphan drugs are used for disease states where the  
12 population with the disease is fairly small.

13 Q Did you discuss orphan drugs with the defendant?

14 A Yes, I did.

15 Q What did you discuss?

16 A That, by its very nature, it's a faster, generally faster  
17 pathway to bring a drug forward onto the market and that you  
18 can make a lot of money in orphan drugs because the price per  
19 patient is quite high. So, even though the number of patients  
20 is not high, the price, ultimately the income, you can get  
21 from it is quite high.

22 Q And were you discussing orphan drugs in relation to  
23 Retrophin?

24 A Yes.

25 Q Did the defendant speak to you about his desire to cure

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1 diseases?

2 A If he did, it was a brief mention, but we primarily  
3 talked about more of the true business side of the company.

4 Q And when you say true business side, what do you mean?

5 A Where there was money to be made in the company. And  
6 again, going through some of the trial and tribulation.

7 Q You had made a reference to he wanted to get the company  
8 off the ground.

9 And then what he did he say that he wanted to do  
10 with this company?

11 A He told me he was starting this company because he  
12 thought that whatever research or patents he had come across  
13 were too valuable to pass up, but that he didn't have the  
14 time, especially managing the fund, to be able to focus all of  
15 his attention there, so he would eventually have someone else  
16 run it.

17 Q Had you discussed this idea for a company previously with  
18 the defendant?

19 A No.

20 Q So, this was the first time you heard anything about  
21 Retrophin or this idea for a company from the defendant?

22 A Yes.

23 Q That's in the March/April 2011 time period?

24 A Yes.

25 Q You had mentioned that the defendant showed you a pitch

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1 deck.

2 What is a pitch deck?

3 A When you want to get an investment in a company,  
4 oftentimes they will put together a presentation that they  
5 will use to then pitch or propose potential investors, and you  
6 outline the thesis of the company and why you think it's a  
7 good investment.

8 Q After the meeting with the defendant in his office in  
9 March/April of 2011, did the defendant send you the pitch deck  
10 that you reviewed in his office?

11 A Yes --

12 Q Regarding -- I'm sorry.

13 Regarding Retrophin?

14 A Yes, he did. Sorry.

15 Q No problem.

16 MS. KASULIS: I'm showing you what's been marked for  
17 identification as Government's Exhibit 103-5. And that's tab  
18 20 in your binder, Ms. Hassan.

19 Q Do you recognize this Exhibit?

20 A Yes, this looks like the presentation we reviewed.

21 MS. KASULIS: The Government moves this Exhibit into  
22 evidence.

23 MR. BRAFMAN: No objection.

24 THE COURT: We will receive Government's  
25 Exhibit 103-5 without objection.

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1 (Government's Exhibit 103-5 received in evidence.)

2 (Exhibit published to jury.)

3 Q Directing your attention to the first page of this  
4 Exhibit.

5 Does this appear to be an e-mail from the defendant  
6 to you dated April 11th of 2011?

7 A Yes.

8 Q And the subject is: Great to see you?

9 A Yes.

10 Q Does this refresh your recollection as to when exactly  
11 you met with the defendant in his office?

12 A Yes.

13 Q When was that?

14 A It was either that day or a couple days before, so it was  
15 in April of 2011.

16 Q It appears that attached are the document that's entitled  
17 the same thing, so it appears to be attached twice, entitled  
18 Retrophin presentation dash PPTX.

19 Do you see that?

20 A Yes, I do.

21 Q And then the body of the e-mail states: Attached in the  
22 presentation.

23 And that's signed by Martin Shkreli?

24 A Yes, that's correct.

25 Q So, directing your attention to the attachment. It's

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1 Bates Number SH-EDNY-0000000686.

2 Is this the first page of the pitch deck that you  
3 referred to?

4 A Yes.

5 Q And there on the first page it states: Martin Shkreli.  
6 And then: Interim CEO.

7 A Yes.

8 Q What is interim CEO?

9 A That's just, essentially, a temporary CEO until you find  
10 the one that's meant to be for the long-term.

11 Q What is a CEO?

12 A It's the chief executive officer. It's essentially the  
13 highest position in the company. Outside the Board as a  
14 whole.

15 Q And when you say Board, are you referring to the Board of  
16 Directors of a company?

17 A Yes.

18 Q What is the difference between the Board of Directors and  
19 the CEO?

20 A Well, the CEO is the individual managing and in charge of  
21 the day-to-day operations and direction of the company. And  
22 the Board of Directors is sort of a group of people to oversee  
23 and help guide him or her.

24 MS. KASULIS: Directing your attention to the page  
25 ending in 704.

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1 Q The title of this page is: Key Management.

2 Who is listed there under key management?

3 A Martin Shkreli, James MacDonald and Ken Banta.

4

5 (Continued on following page.)

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1 DIRECT EXAMINATION

2 BY MS. KASULIS: (Continuing)

3 Q And for Martin Shkreli, he is listed as managing partner  
4 at MSMB Capital Management; is that correct?

5 A Yes.

6 Q And what was your understanding of what MSMB Capital  
7 Management was at this time?

8 A That was the healthcare hedge fund I had invested in.

9 Q What do you base that understanding on?

10 A My conversations with Martin and just the documents.

11 Q And then it goes on to explain that he will serve as  
12 interim CEO until new management is hired; is that correct?

13 A Yes, that's correct.

14 Q The next bullet point, James MacDonald, do you know who  
15 that is?

16 A I'm not familiar with him.

17 Q And the next bullet point, Ken Banta, is that the same  
18 Ken Banta who we spoke about earlier?

19 A Yes.

20 Q Who is an individual your father knows?

21 A Yes.

22 Q If you turn to the next page ending in Bates stamp number  
23 705, this page is entitled board of directors. The first  
24 bullet point is Brent Saunders, CEO of Bausch & Lomb, former  
25 Schering-Plough, EVP. Do you know what EVP is?

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1 A Executive vice president.

2 Q Bausch & Lomb and Schering-Plough, what kind of companies  
3 are those?

4 A Bausch & Lomb are mostly in optics or eye health.  
5 Schering-Plough was a pharmaceutical company.

6 Q And below that is Martin Shkreli listed and below that is  
7 Josiah Austin listed as a private investor and former board  
8 director of North Fork Bank. Do you know who Josiah Austin  
9 is?

10 A I'm sorry, I don't know him.

11 Q Below that bullet point is Darren Blanton of Colt  
12 Ventures. Who is Darren Blanton?

13 A I'm not familiar with him either.

14 Q And then directing your attention to the next page ending  
15 in 706. This page is entitled Investors and it lists a number  
16 of individuals, including Brent Saunders, Josiah T. Austin,  
17 Martin Shkreli, and Darren Blanton, and the last bullet point,  
18 more available under confidentiality. Did you discuss any  
19 additional investors with the defendant in Retrophin in the  
20 April 2011 time period?

21 A I don't believe that we did.

22 Q We can put that document aside. What was your  
23 understanding as to why the defendant was showing you this  
24 Retrophin pitch deck?

25 A He wanted me to make an investment in it.



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1 Q Did you do that?

2 A Yes, I did.

3 Q Why?

4 A Well, I did want to try and continue to build a  
5 relationship. I just started building this relationship a  
6 couple of months prior and he seemed to be very excited about  
7 it. It seemed like it was an exciting idea.

8 Q How much did you invest?

9 A \$150,000.

10 Q What was the source of the 150,000?

11 A I invested that through Dynagrow Capital.

12 Q Why did you invest through Dynagrow Capital?

13 A Well, I had just invested \$300,000 of my personal money a  
14 couple of months prior, which was quite a significant portion  
15 of my personal net worth. I didn't want to continue investing  
16 from my personal money, but I did want to show a sign of good  
17 faith and I still believed in him, still trying to build a  
18 relationship.

19 Q At the time, in April of 2011, how much money were you  
20 managing for Dynagrow Capital?

21 A \$20 million.

22 Q When did you invest money from Dynagrow in Retrophin?

23 A It was sometime in that April 2011 time frame.

24 Q Did you discuss investing in Retrophin with your father,  
25 Fred Hassan?

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1 A I made him aware that I was planning on investing in it.

2 Q Why?

3 A Just to let him know. Generally speaking, before I made  
4 investments, I would let him know that I was making them.

5 Just a courtesy.

6 Q Were you seeking his permission to invest in Retrophin?

7 A No.

8 Q Is there any sort of compliance or vetting process that  
9 you need to go through in order to make investments?

10 A No. It's typical for me to present them and oftentimes  
11 they would give me guidance. If they thought an investment  
12 was a bad idea, or maybe if they thought I had already  
13 invested too much in a certain market, they would give me  
14 overall advice, but it wasn't necessarily a formal process.

15 Q When you say "they," who are you referring to?

16 A Both my mother and father.

17 Q And was there any sort of process that you had to go  
18 through to approve investments in relation to your father's  
19 employment at Warburg Pincus?

20 A Yes.

21 Q Can you please explain that process?

22 A Sure. Whether it was investing personally, as Sarah  
23 Hassan, or whether it was investing through Dynagrow Capital,  
24 because of his employment at Warburg Pincus, I would actually  
25 have to submit saying that I wanted to buy so many numbers of

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1 stocks at such price within a certain time frame. I would  
2 have to get approvals for that, which would take up to a week  
3 to turn around, and then they also have a limited time frame  
4 to which I could execute. Once I got the approval, I could  
5 then move forward, if I chose to.

6 Q Why did you need to seek the approval?

7 A Because Warburg Pincus deals with several public  
8 companies, so before I could make any kind of trade, even for  
9 myself, I would have to get approval just to make sure there  
10 were no conflicts.

11 Q When Dynagrow Capital was investing in Retrophin, did  
12 that mean that Fred Hassan was investing in Retrophin?

13 A No.

14 Q Why?

15 A Well, I can't send a form saying Sarah Hassan wants to  
16 invest in Retrophin and Dynagrow invests, and vice versa. I  
17 can't make a submission saying Dynagrow wants to invest and  
18 then invest personally. They are very distinct and separate  
19 entities.

20 Q What role, if any, did your father play in Retrophin?

21 A I don't believe he played any role.

22 Q Did the defendant ever suggest to you that your father  
23 played a role in Retrophin?

24 A I don't believe so.

25 Q Or that your father was his advisor for Retrophin?

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1 A I had seen that in the news article and I tried to make  
2 it very clear that that was not the case. In order for him to  
3 be an advisor, have any kind of title of anything, he also has  
4 to go through a similar Warburg compliance process and where  
5 he gets approval. He is fairly diligent about those, and I  
6 know for certain we never got to a point of even remotely  
7 discussing about this.

8 THE COURT: I'm sorry to interrupt, but could you  
9 explain what Warburg Pincus is and why it's going to be  
10 necessary to get their approval, please.

11 THE WITNESS: Sure. Warburg Pincus is a private  
12 equity company and they make big investments, sometimes, in  
13 public companies. So you have to be very careful about making  
14 sure there is no kind of issue or conflict with any  
15 investments that you might be making or, you know, for  
16 example, if I was interested in investing in an eye care  
17 company when they are invested in Bausch & Lomb, there may be  
18 a conflict there. So they would have to let me know if they  
19 saw any potential conflicts, and not everything is always  
20 already known. They could have had something in a deal  
21 somewhere that wasn't already public knowledge, but with a  
22 public company, so they have to go through and make sure that  
23 there is no place that they see any potential conflict.

24 Is that helpful?

25 THE COURT: Yes, thank you.

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1 Q Did you ever give permission to the defendant to use your  
2 father's name as a reference in any promotional materials?

3 A Most certainly not.

4 Q After you invested in Retrophin in April of 2011, did you  
5 have any discussions with the defendant about Retrophin  
6 throughout the 2011 time period?

7 A Can you be a little more specific?

8 Q Do you recall speaking to the defendant about any  
9 developments in relation to Retrophin or the growth of  
10 Retrophin?

11 A I don't think we had a lot of direct interaction about  
12 it.

13 Q What was your role vis-à-vis Retrophin throughout the  
14 2011 time period?

15 A I was more of a passive investor.

16 Q Did you periodically receive e-mail updates, for example,  
17 regarding Retrophin from the defendant?

18 A I do know at one point he sent me an e-mail saying you  
19 may have noticed we've raised a \$10 million round, or  
20 something like that. He might have sent an e-mail when they  
21 did a reverse merger with a publish company so that shares  
22 could eventually be publicly traded, but I don't remember  
23 anything specific outside of that in terms of our  
24 communication.

25 Q So within the 2011 time period, was your understanding

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1 that the defendant was managing MSMB Capital and Retrophin at  
2 the same time?

3 A I'm sorry, which time period?

4 Q 2011.

5 A It was my understanding that he was primarily managing  
6 MSMB Capital, but that he was just helping start this company  
7 in 2011.

8 Q Were you aware any other hedge funds that the defendant  
9 was managing in the 2011 time period?

10 A No, I was not.

11 Q In 2011, did you have any understanding as to whether  
12 MSMB Capital had invested in Retrophin?

13 A I don't believe so. At some point, I had seen a cap  
14 table. I don't recall if it was in 2011 or 2012 where I saw  
15 MSMB listed.

16 Q Did the defendant ever ask you for permission to invest  
17 MSMB Capital money into Retrophin?

18 A No.

19 MR. BRAFMAN: Objection to the question. It assumes  
20 that he needed her permission.

21 THE COURT: All right. Well, if you can pose an  
22 appropriate --

23 MS. KASULIS: I can rephrase the question, Your  
24 Honor.

25 Q Did the defendant ever discuss with you investing MSMB

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1 Capital money into Retrophin?

2 A No, he did not.

3 Q Based on your review of the fund materials and your  
4 discussions with the defendant, did you believe that Mr.  
5 Shkreli could invest MSMB Capital money in Retrophin?

6 A I guess it was possible.

7 Q And did you have an understanding as to what the primary  
8 focus of MSMB Capital was?

9 MR. BRAFMAN: Objection. Asked and answered three  
10 times.

11 THE COURT: Sustained.

12 MR. BRAFMAN: Thank you, Your Honor.

13 Q In the 2011 time period, what was your understanding of  
14 the assets under management at MSMB Capital?

15 MR. BRAFMAN: Objection. Asked and answered.

16 THE COURT: Sustained.

17 MR. BRAFMAN: Is that sustained, Your Honor?

18 THE COURT: Yes, sustained.

19 Q You had testified that the defendant had not talked to  
20 you about investing MSMB Capital money into Retrophin; is that  
21 right?

22 MR. BRAFMAN: Objection, Your Honor.

23 A Yes.

24 THE COURT: Overruled.

25 Q And he separately spoke with you about investing

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1 Retrophin money into MSMB Capital?

2 A Yes.

3 Q Did he discuss with you ever rolling your money -- in the  
4 2011 time period, did he ever discuss rolling your money from  
5 MSMB Capital into Retrophin?

6 A No.

7 Q Did the defendant ever tell you that MSMB Capital and  
8 Retrophin were the same entity?

9 A No, he did not.

10 Q In 2011, did the defendant ever tell you that he --  
11 withdrawn.

12 Were you aware, in 2011, as to whether the defendant  
13 had continued to trade stock with respect to MSMB Capital?

14 A I was not. I presumed they were still trading some kind  
15 of equities.

16 MR. BRAFMAN: Objection.

17 THE COURT: Overruled.

18 Go ahead. Your understanding, ma'am, you can  
19 testify as to.

20 A My understanding is, just by the nature of operating a  
21 fund, that there was still some kind of equities that were  
22 being traded in there, but I wasn't made aware of specifically  
23 which ones.

24 Q In 2011, did the defendant ever tell you whether or not  
25 he had stopped trading in MSMB Capital funds?



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1 A No. And it would have been surprising, given that there  
2 was still such an interesting fluctuation in the returns.

3 Q Directing your attention to earlier 2012, the early time  
4 period, did you ever learn from the defendant who else had  
5 invested in Retrophin?

6 A I don't recall specifically. At certain points, I think  
7 I was copied in e-mails with people, and I made assumptions,  
8 but I don't recall if I was specifically informed.

9 Q Have you heard of the expression "capitalization table"?

10 A Yes.

11 Q What is that?

12 A The cap table is basically a document that just shows how  
13 much of a company the individual investors or investment  
14 companies own in that company. It shows number of shares, it  
15 can derive percentages too.

16 Q Did you ever receive a capitalization table for  
17 Retrophin?

18 A Yes, I did.

19 Q I'm showing you what has been marked for identification  
20 as Government Exhibit 103-7. It is tab 23 of your binder.

21 Do you recognize this exhibit?

22 A Yes, I do.

23 Q What is it?

24 A This is the cap table for Retrophin.

25 MS. KASULIS: The Government moves Exhibit 103-7

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1 into evidence.

2 MR. BRAFMAN: No objection.

3 THE COURT: We will receive without objection  
4 Government Exhibit 103-7.

5 (Government's Exhibit 103-7 was received in  
6 evidence.)

7 MR. BRAFMAN: Is it a two-page document?

8 MS. KASULIS: Yes. It is a two-page document.

9 MR. BRAFMAN: Thank you.

10 Q This appears to be an e-mail from the defendant Martin  
11 Shkreli dated March 16th, 2012?

12 A Yes.

13 Q Let's go through the recipients of this e-mail. The  
14 first recipient appears to be an individual name Tom Koestler,  
15 K-O-E-S-T-L-E-R. Who is Tom Koestler?

16 A He is a gentleman my dad worked with for many years.

17 Q And next on the list is an e-mail addressed  
18 brent.saunders@ymail.com. Again, who is Brent Saunders?

19 A He is another gentleman my dad has worked with for years.

20 Q The next e-mail address is fred.hassan@carrotgroup.com.  
21 Whose e-mail address is that?

22 A That's my dad's e-mail address.

23 Q Do you have an understanding as to why your father's  
24 e-mail address is listed in this group of recipients?

25 A Actually, I was quite surprised at the time.

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1 Q Why?

2 A Well, because he hadn't made an investment there so it  
3 didn't make sense for him to be copied on the e-mail of  
4 capitalization tables.

5 MR. BRAFMAN: Objection, Your Honor. Can we have a  
6 sidebar.

7 THE COURT: Excuse me, just one second. Let's have  
8 a sidebar.

9 (Continued on the next page.)

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Sidebar

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1 (Sidebar held outside the hearing of the jury.)

2 MR. BRAFMAN: Your Honor, I have been trying to be  
3 patient and limited in my objections, but throughout the  
4 witness' testimony there were a series of questions asked by  
5 Ms. Kasulis which began with did Martin ever tell you this,  
6 did Martin ever tell you that. That assumes an obligation by  
7 Mr. Shkreli to tell her these things. The question should be  
8 what did Martin tell you. She didn't argue that in summation,  
9 but what's happening is Ms. Kasulis is essentially testifying  
10 through the question as to what she thinks this witness should  
11 be asked.

12 Now the witness is being asked to explain why she  
13 was surprised to see Fred Hassan's name because she didn't  
14 know that Fred -- that Fred Hassan had invested. He is going  
15 to testify. They can ask Fred Hassan did you ever invest.

16 For her to say she didn't know whether Fred Hassan  
17 invested or not, she is assuming that. That's essentially  
18 what she is doing. She presumed he didn't have any  
19 involvement. You will see that's not true. She is assuming  
20 that he didn't invest and we will discuss that with Fred  
21 Hassan, but Ms. Kasulis is very cleverly, in effect, becoming  
22 a 50 percent witness in this, asking did Martin ever tell you  
23 a series of things. Assuming that's an obligation to have  
24 that discussion every time you see someone, and it's not true.  
25 She could say what did Martin tell you and then argue in

1 summation Martin's failure to discuss all of these other  
2 things.

3 THE COURT: Well, I think what she is trying to do,  
4 as I interpreted the questions, except for the one that I did  
5 sustain, is that she is trying to get to the point if she asks  
6 an open-ended what did he tell you, we will have a long  
7 narrative. She is trying to guide the witness. I did sustain  
8 that one objection because I did think it assumed certain  
9 facts that hadn't been established. But in terms of this  
10 witness, her reaction upon seeing her father's name on an  
11 e-mail chain, you are right, she doesn't know what her father  
12 necessarily did, but she is just describing her reaction to  
13 it.

14 MR. BRAFMAN: Okay.

15 THE COURT: We can make clear she is not necessarily  
16 going to know what her father has been doing; correct?

17 MS. KASULIS: Right.

18 MR. BRAFMAN: I am fine with that, but since we are  
19 up here, not to waste time later, I want Your Honor to be  
20 respectfully alert to my concern that by -- if I say to a  
21 witness what did you say to this witness and -- to this  
22 person, and they say I don't remember, I can refresh their  
23 recollection with something like a 302 or prior testimony or a  
24 document or an e-mail, as was done here. But if I say I had a  
25 conversation with Martin Shkreli and he told me he's excited

Sidebar

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1 about Retrophin, I don't think it's appropriate for you to  
2 then have 15 questions did he tell you this, did he tell you  
3 that, because that presumes an obligation by Mr. Shkreli to  
4 affirmatively say that. I didn't object when she asked the  
5 track record question, because that's sort of the package  
6 presentation. But testifying, in effect, as to what she  
7 believes Mr. Shkreli should have said, I want to draw your  
8 attention to it not to be the current theme of the direction  
9 examination.

10 THE COURT: Just one moment. We want to give them a  
11 restroom break?

12 THE COURTROOM DEPUTY: Yes.

13 THE COURT: Ladies and gentleman, we are going to  
14 give you a break at this time. You may retire to the jury  
15 room and refresh yourselves, and have some coffee or tea,  
16 whatever you would like. Please don't talk about the case  
17 amongst yourselves. Thank you.

18 (Jury exits the courtroom.)

19 MS. KASULIS: Your Honor's understanding as to what  
20 my intent was is exactly accurate, to help move this along, to  
21 guide the witness, but also omissions are an important part of  
22 our case. Instead of saying did the defendant ask you about  
23 or tell you about trading losses, I can say what, if anything,  
24 did the defendant say to you about trading losses, because  
25 that is, as we know, our case is about the fact that he is

1 making representations about the performance of the funds that  
2 weren't true. So it is important to establish that she was  
3 not, in fact, being told what was happening with respect to  
4 the losses. That was my purpose in asking those questions.

5 We are actually moving on now to the 2012 wind-down  
6 period. I don't anticipate any more of these kinds of  
7 questions. It is important for our case to establish the lack  
8 of sharing of knowledge with our investors.

9 MR. BRAFMAN: Yes, but direct examination is  
10 generally what did the defendant say, and then if she answers  
11 that question, you can ask did he tell you anything else, no,  
12 I don't recall.

13 For you to ask 10 questions suggesting that he had  
14 an obligation to tell her every time he spoke to her about  
15 other things happening in the fund, I think it is a form of  
16 leading the witness or putting into evidence questions that  
17 are not being answered because all she is saying is he never  
18 told me that, he never told me that. That presumes he had an  
19 obligation every time he spoke to her to tell her these  
20 things. There's a lot of repetition, which Your Honor did  
21 sustain asked and answered three times.

22 THE COURT: If you would like her to ask more  
23 open-ended questions on direct and have a longer narrative and  
24 then follow up with more targeted questions about what he said  
25 or didn't say, that's fine. We will go that route.

Sidebar

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1 MR. BRAFMAN: It amounts to the same thing.

2 THE COURT: Well, no. Look, they have to be able to  
3 put in evidence that is relevant to their -- to the charges in  
4 this case which involve allegations of material misstatements  
5 or material omissions, and, so, she has to be able to elicit  
6 that testimony. Now, whether there is going to be some other  
7 witness or an argument as to whether or not there was an  
8 obligation to disclose, that's something that obviously is  
9 within your ability to do and it seems that it would be  
10 appropriate.

11 MR. BRAFMAN: Yes.

12 THE COURT: But if you would try to ask more  
13 open-ended questions, maybe Mr. Brafman will be more satisfied  
14 with the way the questions are going. I did interpret it as  
15 this being trying to guide her through a lot of material. We  
16 can do it in a more traditional way.

17 MR. BRAFMAN: I hear you. Can we step out for a  
18 second too?

19 THE COURT: Of course.

20 MR. BRAFMAN: Thank you, Judge.

21 (Sidebar concluded.)

22 (Continued on the following page.)

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1 (Recess taken.)

2 (In open court.)

3 THE COURT: Are we ready to bring the jury back?

4 MR. BRAFMAN: Yes, Judge. I think so.

5 THE COURT: The jurors are coming back.

6 MS. KASULIS: When does the Court plan on taking the  
7 lunch break?

8 THE COURT: Usually 12:45.

9 MS. KASULIS: I'm going to aim to get the direct  
10 examination done by then.

11 MR. BRAFMAN: Whenever the direct is over, can we  
12 take the lunch break then?

13 THE COURT: She thinks about 12:45.

14 MR. BRAFMAN: That's great, because I will need to  
15 get certain exhibits ready.

16 (Jury enters the courtroom.)

17 THE COURT: Do we have all of the jurors back?

18 THE COURTROOM DEPUTY: Yes, Judge, all 18.

19 THE COURT: Thank you. Please be seated.

20 Ms. Kasulis, you may proceed.

21 MS. KASULIS: Thank you, Your Honor.

22 Q Directing your attention, Ms. Hassan, to Government  
23 Exhibit 103-7, I believe we were talking about this exhibit  
24 prior to our break. I believe the question that we ended with  
25 was what was your reaction to seeing your father's e-mail

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1 listed on this exhibit?

2 A I was quite surprised.

3 Q And why is that?

4 A Well, I didn't know why he would be on the e-mail. It's  
5 not something we had talked about very much after maybe the  
6 initial time or last time I was investing, but he certainly  
7 was an investor, so to be copied on the cap table wouldn't  
8 make sense.

9 THE COURT: Can you pull the mic closer.

10 THE WITNESS: I tend to speak softly, I apologize.

11 Q And the next recipient on this e-mail, is that yourself,  
12 Sarah Hassan?

13 A Yes, it is.

14 Q And the next recipient is an individual named Robert  
15 Bertolini. Do you recognize that name?

16 A Yes, I have known Mr. Bertolini for many years as well.

17 Q Who is he?

18 A He's another one of my dad's former colleagues.

19 Q If you look to the "by" of the e-mail itself, the first  
20 e-mail is from an individual named Evan L. Greebel and the  
21 e-mail address is evan.greebel@kattenlaw.com.

22 Who is Evan Greebel, do you know?

23 A He is an attorney.

24 Q Do you have an understanding as to whose attorney he was  
25 at that time?

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1 A Martin's.

2 Q Had you had any interaction with Mr. Greebel at all up to  
3 this point in time?

4 A No, I had not.

5 Q If you turn to the attachment here, entitled Retrophin  
6 Capitalization Table, parens, revised February 27, 2012. It  
7 appears to be an Excel spreadsheet. The next page of this  
8 document is entitled Retrophin, LLC Capitalization Table as of  
9 February 16, 2012.

10 Does this appear to be the attachment to the e-mail?

11 A Yes.

12 Q Can you please explain for the jury this capitalization  
13 table?

14 A In terms of what specifically would you like me to  
15 explain?

16 Q Can you just please explain the layout of the  
17 capitalization table and then the list of investors at the  
18 bottom?

19 A Sure. So it lists out the various people who are  
20 shareholders and then it lists the number of shares that they  
21 own. The first section seems to be -- I guess the managers in  
22 Class A. In Class B, common incentive unit. Again, there's a  
23 similar -- there is another list of individuals and then, to  
24 the right, how many shares they own and at the bottom the  
25 Series A preferred units. It states the date there was an

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1 investment, who the individual investor was, and then the  
2 dollar amount that they invested and the number of units they  
3 own.

4 Q Thank you. Directing your attention to that bottom part  
5 of the capitalization table and to the date April 28, 2011,  
6 there are, I believe, multiple entries for that date.

7 A Yes.

8 Q Do you see under the investment column Dynagrow/Sarah and  
9 Fred Hassan?

10 A Yes.

11 Q And the amount listed is \$150,000 and the units is 7,500  
12 units. Do you see that?

13 A Yes.

14 Q Did you have any sort of reaction to seeing  
15 Dynagrow/Sarah and Fred Hassan listed on this table?

16 A Yes, I was a little confused. I've never really seen  
17 anything listed that way. I do believe I actually reached out  
18 to Martin to try to clarify that issue, but I also wasn't too  
19 worried because, from the e-mail, it said it wasn't finalized  
20 numbers or there may still be some shifting. So it didn't  
21 seem like a finalized table, it was some kind of interim  
22 working cap table, but I wanted to make sure he knew it was  
23 not correct.

24 Q Why is this not correct the way this is listed, the  
25 Dynagrow/Sarah and Fred Hassan?

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1 A I'm not sure what entity or person that could be  
2 referring to, it is a little confusing. And there was no  
3 confusion, if you were to look at the subscription agreement,  
4 that it was Dynagrow Capital LLP that made the investment.

5 Q And then is this -- in April 2011, is this the \$150,000  
6 investment, does this reflect the \$150,000 investment that  
7 Dynagrow Capital LLP had paid in April of 2011?

8 A Yes, it is.

9 (Continued on following page.)

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1 (Continuing)

2 BY MS. KASULIS:

3 Q Farther down in this area of the capitalization table,  
4 there are multiple entries for MSMB Healthcare, including the  
5 dates of October 27, 2011.

6 A Yes.

7 Q And then January 19, 2012, January 23, 2012, and then  
8 there appears to be an investment on February 1, 2012, by MSMB  
9 Healthcare, LP, and that investment itself is for \$900,000; do  
10 you see that?

11 A Yes, I do.

12 Q What is your understanding of what MSMB Healthcare, LP,  
13 was at this time?

14 A Frankly, I thought that that was MSMB Capital. I was  
15 never told there was any other fund, so -- I mean, the way my  
16 fund's name had been incorrectly written, I thought this was  
17 either just a name they used to refer to MSMB Capital or that  
18 maybe there was some kind of d/b/a, doing business as, that I  
19 didn't know about, but I thought that MSMB Capital had also  
20 made investment in Retrophin at this point.

21 Q What was your reaction to seeing what you believed to be  
22 MSMB Capital's investment in Retrophin at this point in time?

23 A I was a little surprised, but I also wasn't quite as  
24 concerned if you see a million dollar investment or so out of  
25 a 40 or 50 million dollar fund, it is still sort of within

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1 line with what he had been saying about the investment size  
2 that he takes on. So, it wasn't -- it didn't seem like such a  
3 huge piece of the fund that I was concerned, but I was still  
4 surprised.

5 MS. KASULIS: If you could actually zoom out to the  
6 entire capitalization table, please.

7 Q Again, at the top of the capitalization table in the  
8 Class A column, investment units, Martin Shkreli is listed  
9 and, again, MSMB Healthcare LP; do you see that?

10 A Yes, I do.

11 Q And what was your understanding, again, of what MSMB  
12 Healthcare, LP, was on the cap table at this entry?

13 MR. BRAFMAN: Objection, asked and answered.

14 THE COURT: Overruled.

15 A I believed it to be MSMB Capital.

16 Q Where, if at all, on this capitalization table do you  
17 actually see MSMB Capital listed, those words?

18 A Nowhere.

19 Q You had stated that you had expressed some concern to the  
20 Defendant about the way in which Dynagrow's investment had  
21 been listed on the capitalization table; is that right?

22 A Yes, I did.

23 Q I'm going to direct your attention to Tab 24, Government  
24 Exhibit 103-9.

25 Do you recognize this exhibit?

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1 A Yes, I do.

2 Q What is it?

3 A An e-mail correspondence between myself and Martin.

4 MS. KASULIS: The Government moves this exhibit into  
5 evidence.

6 MR. BRAFMAN: No objection.

7 THE COURT: I'll receive in evidence without  
8 objection Government's Exhibit 103-9.

9 (Government Exhibit 103-9 so marked.)

10 (Exhibit published to the jury.)

11 Q Directing your attention to the bottom of this exhibit,  
12 did this appear to be the same e-mail chain that you had seen  
13 in the prior exhibit, Government Exhibit 103-7?

14 A Yes.

15 Q And does it appear in this exhibit that you then respond  
16 to Mr. Shkreli's e-mail?

17 A Yes.

18 MS. KASULIS: I'm just going to make sure we can  
19 pull that up. Sorry for the delay.

20 And one more up. Thank you.

21 Q So, this e-mail from you is dated March 21, 2012 to  
22 Mr. Shkreli; is that right?

23 A Yes, that's correct.

24 Q Could you please read this e-mail to the jury?

25 A Dear Martin, Since I am the manager of Dynagrow Capital,



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1 which manages our family's money, I would appreciate it if you  
2 would list in any investor list or otherwise Dynagrow Capital  
3 as the investor. If you feel the need to identify me as the  
4 manager, please feel free to describe it as Dynagrow/Sarah  
5 Hassan. My dad is not a direct investor and cannot do so  
6 because of compliance obligations. I also understand that any  
7 new investments by Dynagrow into anything outside of ETS will  
8 need to be precleared with him and the firm where he became a  
9 partner in January 2011. This is now a tightly regulated  
10 entity. I hope you understand. Best, Sarah Hassan.

11 Q When you make the reference to the firm where he, in  
12 reference to your father, became partner in January 2011, what  
13 firm is that?

14 A Warburg Pincus.

15 MS. KASULIS: And if we can now move up in the  
16 document to Mr. Shkreli's response.

17 Q This appears to be response from Mr. Shkreli, the  
18 Defendant, sent on March 21, 2012, to you, Ms. Hassan, with a  
19 carbon copy to Evan Greebel at kattenlaw.com. In response,  
20 Mr. Shkreli states: Thank you, Sarah. I hope I have not  
21 upset you or caused any unnecessary stress. I will make sure  
22 Evan Greebel, our attorney, corrects the document. Thank you,  
23 Martin Shkreli.

24 Is that an accurate recitation of his response to  
25 you?

S. Hassan - direct - Kasulis

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1 A Yes.

2 Q Did Dynagrow ever receive any additional shares of  
3 Retrophin in the 2012 time period?

4 A Yes.

5 Q Can you please explain that for the jury?

6 A There was some point in 2012 where I got an e-mail from  
7 Martin essentially saying: Thank you for your support in the  
8 early stage of this company. I'm assigning you 5,000 more  
9 shares.

10 It was somewhat of a surprise.

11 Q Why were you surprised?

12 A It was just out of the blue. It wasn't a conversation we  
13 had had. There was no request, there was no sort of phone  
14 call, there was no mention. It was just an e-mail that popped  
15 up one day that said we're awarding Dynagrow Capital 5,000  
16 more shares.

17 Q Do you know approximately when that occurred?

18 A It was sometime in the 2012 period. I'd have to look.

19 Q Directing your attention to Government Exhibit 103-10,  
20 it's Tab 25. You can take a minute to review this document.

21 Does this document refresh your recollection as to  
22 when you received the additional shares or Dynagrow received  
23 the additional shares in Retrophin?

24 A Yes.

25 Q When was that?

S. Hassan - direct - Kasulis

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1 A This e-mail was Monday, April 16, 2012.

2 Q What, if any, conversations did you have with the  
3 Defendant in this time period, the 2012 time period, about  
4 whether your father was interested in investing in any hedge  
5 funds?

6 A I know there was some point he made a request to see if  
7 my dad was interested in investing. But I knew he wasn't, so  
8 I didn't forward it to him.

9 THE COURT: Investing in what?

10 THE WITNESS: Well, he actually sent over an e-mail  
11 asking if he'd be interested in investing in Retrophin or in  
12 one of his funds.

13 THE COURT: Thank you.

14 THE WITNESS: It was sort of a broad e-mail.

15 Q Did you approach your father about that request?

16 A No, I did not.

17 Q Why not?

18 A I knew he wouldn't have been particularly interested.

19 Q Why is that?

20 A He gets approached on these things all the time and he  
21 would have -- and at this point, he was aware that I had used  
22 some of the family money to invest in Retrophin, so he  
23 probably wouldn't want any additional exposure. But I get  
24 approached fairly frequently for him to invest in things, so I  
25 don't always approach him with them.

S. Hassan - direct - Kasulis

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1 I also do think that he might have -- in the e-mail,  
2 he referenced one of my dad's colleagues, so it seems like it  
3 was something my dad had already heard about through a  
4 colleague anyway, so I didn't want to bombard him.

5 Q I'm showing you what's been marked for identification as  
6 Government Exhibit 103-11. It's Tab 26 of your binder.

7 Do you recognize this exhibit?

8 A Yes I do.

9 Q What is it?

10 A It's an e-mail from Martin to me.

11 MS. KASULIS: The Government moves this exhibit into  
12 evidence.

13 MR. BRAFMAN: No objection.

14 THE COURT: We will receive without objection  
15 103-11.

16 (Government Exhibit 103-11 so marked.)

17 THE COURT: Did the Government want to move in  
18 103-10?

19 MS. KASULIS: No, your Honor. We just used it for  
20 refreshing the witness' recollection.

21 THE COURT: Thank you.

22 (Exhibit published to the jury.)

23 Q This e-mail appears to be from the Defendant, sent on  
24 May 2, 2012, to you with the subject of investment; is that  
25 correct?

S. Hassan - direct - Kasulis

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1 A Yes.

2 Q Can you please read this e-mail to the jury?

3 A Hi, Sarah. Fred mentioned to Brent that Dynagrow will  
4 not be able to invest directly into Retrophin due to  
5 conflicts; however, I'm curious if Dynagrow would be willing  
6 to invest in MSMB Healthcare, LP, our healthcare fund. This  
7 would go along way in supporting the effort, but is clearly  
8 not a direct investment. Best, Martin.

9 Q Was this the e-mail that you were referring to  
10 previously?

11 A Yes, it was.

12 Q At this time, in May of 2012, what was your understanding  
13 as to what MSMB Healthcare, LP, was?

14 A To be frank, I still thought this was essentially the  
15 same as MSMB Capital. When I invested in MSMB Capital, it was  
16 described to me as his healthcare fund, not one of his  
17 healthcare funds. And this was now described to me as one of  
18 the healthcare funds. So, frankly, I thought it was still the  
19 same entity.

20 Q And what was your reaction to receiving this e-mail?

21 A I do receive things like this somewhat regularly so it  
22 wasn't necessarily a surprise. I do recall, now that I have  
23 this in front of me, I was a little bit uncomfortable with  
24 some of this e-mail.

25 Usually if someone tells you you can't invest in a

S. Hassan - direct - Kasulis

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1 company because of a conflict and then they ask you to invest  
2 in an alternate vehicle to still help that company that was a  
3 conflict, that's something I'm not comfortable with. I do  
4 recall reading this e-mail I was a bit uncomfortable with that  
5 nature.

6 Q So we can put this document aside.

7 In the 2012 time period, were you still invested in  
8 MSMB Capital?

9 A Yes.

10 Q Did you continue to receive performance updates from the  
11 Defendant regarding MSMB Capital?

12 A I did receive some in 2012.

13 Q And in what form did you receive those updates?

14 A They were e-mails similar to the ones we saw earlier.

15 Q Showing you what's been marked for identification as  
16 Government's Exhibit 80-14 through 80-19. And those are Tabs  
17 27 through 32 in your binder.

18 Do you recognize these documents?

19 A Yes, I do.

20 Q What are they?

21 A They're more of the same MSMB performance estimates that  
22 we saw earlier.

23 MS. KASULIS: Government moves these exhibits into  
24 evidence, your Honor.

25 MR. BRAFMAN: No objection.

S. Hassan - direct - Kasulis

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1 THE COURT: We will receive Government Exhibit 80-14  
2 through 80-19 without objection.

3 (Government Exhibits 80-14 through 80-19 so marked.)

4 (Exhibits published to the jury.)

5 Q Do these appear to be the monthly performance estimates  
6 for the time period between January 2012 and June 2012?

7 A Yes, they do.

8 Q And directing your attention to the last performance  
9 statement -- it's Government Exhibit 80-19, Tab 32 of your  
10 binder -- what is the date on this e-mail?

11 A It's September 9, 2012.

12 Q And the time?

13 A 8:08 p.m.

14 Q And it appears to be from Martin Shkreli to you; is that  
15 correct?

16 A Yes, that's correct.

17 Q With the subject MSMB June performance estimate, Dynagrow  
18 Capital, LLP; is that right?

19 A That's correct.

20 Q And is this e-mail reflective of the monthly performance  
21 update for June 2012; is that right?

22 A Yes, that's correct.

23 Q So, this is for a time period a couple of months prior to  
24 this e-mail; is that right?

25 A That's correct.

S. Hassan - direct - Kasulis

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1 Q And can you please just step through the net returns  
2 section of this e-mail for the jury?

3 A MSMB returned 8.57 percent net in June 2012. MSMB has  
4 returned 21.04 percent net of fees here to date, June 2012.  
5 MSMB has returned 79.49 net of fees since inception on  
6 11/1/2009. You invested --

7 Should I keep going?

8 Q Sure. I was going to ask you to then go to the next  
9 section.

10 Can you please read those two sentences to the jury?

11 A You invested \$300,000 on 1/17/2011. The value of this  
12 investment is now approximately \$435,266 net of fees or plus  
13 45.09 percent since inception.

14 Q What does "net of fees" mean?

15 A Usually, it's referring to -- I believe it's after, he  
16 said it was. I believe it was after fees.

17 Q So, based on this e-mail, how much money had you made on  
18 your \$300,000 investment in MSMB Capital?

19 A Approximately \$135,000.

20 Q What was your reaction to this e-mail?

21 A I was thrilled.

22 Q Why is that?

23 A It was a very significant return. This was the single  
24 biggest investment I had, so to see it being the best  
25 performing one too was very exciting.



S. Hassan - direct - Kasulis

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1 Q Below this account value section, there is a sentence  
2 that states: These values are estimates only and inaccuracies  
3 may exist.

4 Did you ever receive corrections or updates from the  
5 Defendant regarding these performance updates?

6 A I think there was one time at some point one of them said  
7 sorry, there was something inaccurate in the last numbers.  
8 But not to these.

9 Q Then below that, the Defendant says: We apologize for  
10 the delay in sending this report.

11 Do you see that?

12 A Yes.

13 Q Did you have any concerns about the delay in this report,  
14 reporting time period, as compared to the date of the e-mail?

15 A Yeah, I had remembered being curious about where this  
16 investment was, but -- and I remember even thinking that it  
17 was worth asking, but before I had an opportunity to do that I  
18 did get this.

19 Q Do you have an understanding as to whether you received  
20 any performance updates regarding your investment in MSMB  
21 Capital after the date of this e-mail?

22 A I think this was the last one.

23 Q What happened with respect to MSMB Capital after this  
24 e-mail?

25 A Eventually, I got an e-mail. I was part of an e-mail

S. Hassan - direct - Kasulis

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1 chain that wasn't necessarily directed to me, stating that he  
2 was going to be winding down the fund and that if I wanted to,  
3 I could take the rest of my investment in the form of cash and  
4 he would distribute the cash to me, or, if I wanted to  
5 reinvest, that I could roll the money over into Retrophin.

6 Q Up until that point in time, until you received that  
7 e-mailed, had you had any discussions with the Defendant  
8 regarding rolling over your investment from MSMB Capital into  
9 Retrophin?

10 A No, I have not.

11 Q Showing you what's been marked for identification as  
12 Government Exhibit 103-13 -- it's Tab 33 of your binder -- do  
13 you recognize this document?

14 A This looks to be the e-mail I was just referring to.

15 MS. KASULIS: The Government moves this exhibit into  
16 evidence.

17 MR. BRAFMAN: No objection, your Honor.

18 THE COURT: It is received without objection,  
19 Government 103-13.

20 (Government Exhibit 103-13 so marked.)

21 (Exhibit published to the jury.)

22 MS. KASULIS: Thank you.

23 Q If we could focus on the very top portion of this e-mail.

24 A Okay.

25 MS. KASULIS: Actually, the date, to, from, the

S. Hassan - direct - Kasulis

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1 recipient.

2 Q This appears to be an e-mail from the Defendant dated  
3 September 9, 2012 at 8:44 p.m.; is that right?

4 A Yes, that's correct.

5 Q And just to refresh your recollection, the prior e-mail  
6 that we looked at, Government Exhibit 80-19, the June  
7 performance update you received, that was dated September 9,  
8 2012 at 8:08 p.m.; is that right?

9 A Yes.

10 Q So, this e-mail that we're looking at, 103-13, came  
11 shortly after 80-19; is that right?

12 A Yes, it did.

13 Q And the subject is message from MSMB Capital, and it  
14 appears to have an attachment entitled  
15 MSMBlettertoinvestors.pdf.

16 If we could now turn to the body of this exhibit.  
17 I'm not going to have read this entire e-mail to the jury, I  
18 think we can just focus on the first paragraph?

19 A Okay.

20 Q It appears to be starting with: To our limited partners.

21 And then the first paragraph, if you could read this  
22 to the jury.

23 A To our limited partners, I have decided to wind down our  
24 hedge fund partnership with the goal of completing the  
25 liquidation of the fund by November or December 1, 2012. As

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1 you know, MSMB has found increasingly compelling opportunities  
2 in private equity. We are going to focus our efforts on  
3 managing money in a hybrid public private structure, one which  
4 is not generally amenable to the opened-ended private hedge  
5 fund partnership structure.

6 Q Thank you. With respect to that first sentence, "I have  
7 decided to wind down our hedge fund partnership with the goal  
8 of completing the liquidation of the fund by November or  
9 December 1, 2012," what was your reaction to seeing this or  
10 reading this sentence?

11 A I was pretty surprised. I had never really gotten a  
12 notice that that was a plan. We never had a conversation.  
13 And I was surprised that he was doing so well in this hedge  
14 fund that he wanted to move on to something else. When you're  
15 that successful in something, you found the recipe for  
16 success, you should be able to forward that. So, I was a bit  
17 surprised.

18 Q With respect to the second sentence, "As you know, MSMB  
19 has found increasingly compelling opportunities in private  
20 equity. We are going to focus our efforts on managing money  
21 in a hybrid public private structure which is not generally  
22 amenable to an open-ended private hedge fund partnership  
23 structure," what was your understanding of what this sentence  
24 meant?

25 A He hadn't really updated me on some of the investments

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1 that he was looking at, so I wasn't really sure what his  
2 intention was.

3 MS. KASULIS: And if we could zoom back out.

4 Q I'll direct your attention to the bottom, the last  
5 paragraph of the e-mail, can you please read this last  
6 paragraph to the jury?

7 A Last paragraph on the page or the e-mail?

8 Q I'm sorry, the last paragraph on the page, the first  
9 page, ending in 926.

10 A I cannot thank you, the partners, enough. I have the  
11 most loyal investors in the world. We have received two  
12 redemptions since inception and are thankful for your patience  
13 and tolerance while we went through operational mishaps and  
14 switched strategies several times. Original MSMB investors  
15 from 2009 have just about doubled their money net of fees. I  
16 regret terminating the fund, but I feel tremendous private  
17 equity opportunities are abundant at the moment and we need  
18 the latitude to explore them.

19 Q What was your reaction to reading this paragraph?

20 A Again, I was still a little surprised. I also wasn't  
21 very familiar with what the operational mishaps or switching  
22 strategies was. I had never really been kept abreast of that  
23 information. And, again, it was still surprising for someone  
24 that was able to double their investors' money over what  
25 seemed to be a three-year period, it was still surprising he

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1 was shutting it down.

2 Q In the sentence about "I regret terminating the fund but  
3 I feel tremendous private equity opportunities are abundant at  
4 the moment," do you have an understanding as to what he was  
5 referring to with respect to private equity opportunities?

6 A No. The only one that could have been a private equity  
7 opportunity that he was -- that I knew he was working on was  
8 Retrophin, but I didn't know what the multiple opportunities  
9 could have been.

10 Q And directing your attention to the next page of this  
11 exhibit, the last paragraph of this e-mail, can you please  
12 read this to the jury?

13 A A few operational notes. Investors will have their  
14 limited partnership interests redeemed by the fund for cash.  
15 Alternatively, investors may ask for a redemption of Retrophin  
16 shares or a combination of Retrophin shares and cash. Keep in  
17 mind, Retrophin shares are illiquid and no liquid market may  
18 develop; however, if you feel the desperate need to keep  
19 investing with me, Retrophin will embody all of my investment  
20 activities and attention. I think it will prove to be a  
21 successful public company and investment, however different  
22 from a hedge fund it may be. MSMB will halt reporting at the  
23 9/30/12 period and begin offering cash to repurchase limited  
24 partnership interest shortly thereafter. If all goes  
25 according to plan, you will either be a Retrophin, LLC, unit

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1 holder or have cashed out by 10/31/12.

2 Q What was your reaction to reading this paragraph?

3 A Again, I was still very much surprised. I was told he  
4 would be an interim head of Retrophin, but my reaction was to  
5 request that the initial capital investment I made be  
6 returned -- well, the whole thing be returned, and that I  
7 would keep the initial capital investment and just reinvest  
8 the initial profit.

9 Q So, when you're talking about your initial investment and  
10 the return, can you explain the dollar amounts that you were  
11 considering at this time?

12 A Yes. So, I initially invested \$300,000, so I asked that  
13 he send me all of the cash back and that, subsequently, I was  
14 likely to reinvest the profit. So, my investment grew from  
15 \$300,000 to about \$435,000, so I was planning on reinvesting  
16 the difference, \$135,000, back into Retrophin pending all of  
17 the appropriate paperwork.

18 I didn't know exactly what it meant to just have  
19 something roll over into the shares and what that would  
20 actually mean for value or how many shares and how much it  
21 would be worth, so I thought it would make more sense to just  
22 request my cash back.

23 Q In the middle of this paragraph, the Defendant wrote,  
24 "Keep in mind, Retrophin shares are illiquid and no liquid  
25 market may develop." What does illiquid mean to you?

S. Hassan - direct - Kasulis

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1 A That means that it's not available on the public market.  
2 You can't just say I want to trade it tomorrow and obtain your  
3 cash. You have those stocks, but it's -- there may be some  
4 underlying value, but, again, you can't take it in for money.

5 A very common illiquid investment is, like, a house.  
6 It's not something you can get cash for tomorrow, at least not  
7 easily.

8 Q What, if any, concerns did you have about Retrophin  
9 shares being illiquid at this time?

10 A Well, that was a big concern for me. I had an  
11 opportunity to get my cash from a very healthy investment, but  
12 it's important to me at least somewhat to be able to trade  
13 money. I certainly didn't want to roll over such a  
14 significant portion of my net worth into an illiquid asset.  
15 It's important for me to be able to have at least some kind of  
16 redemption for my money.

17 Q In the middle of the paragraph, it states MSMB will  
18 halt -- the Defendant wrote MSMB will halt reporting at the  
19 9/30 or September 30, 2012 period.

20 Did you receive -- do you recall receiving any  
21 performance updates through -- for the fund through  
22 September 30, 2012?

23 A No. I believe the last one we viewed, I believe that was  
24 the last statement I saw.

25 Q And just to be clear for the record, that was Government



S. Hassan - direct - Kasulis

1012

1 Exhibit 80-19, the e-mail that had the performance update for  
2 June 2012; that would be Tab 32?

3 A Yes, 80-19.

4 Q Thank you. And the last sentence states, "You will  
5 either be a Retrophin, LLC, unit holder or cashed out by  
6 October 31, 2012."

7 Did you cash out of your MSMB Capital investment by  
8 October 31, 2012?

9 A No, I did not.

10 Q Attached to this e-mail appears to be a two-page letter  
11 and a performance chart. Do you see that attachment?

12 A Yes.

13 Q Does the attachment, which starts at SH-EDNY0000928, to  
14 the next page, through 29, does this attachment appear to just  
15 be the same information that was contained in the e-mail to  
16 which this letter is attached?

17 A Yes.

18 MS. KASULIS: And with respect to the last page of  
19 this document, it's Bates number ending in 930, I will give  
20 Ms. Balbin a second to rotate the chart, if possible.

21

22 (Continued on next page.)

23

24

25

Hassan - direct - Kasulis

1013

1 (Continuing)

2 Q Does this appear to be -- it's entitled track record; is  
3 that right?

4 A That's correct.

5 Q And for which fund did you believe this track record was  
6 for?

7 A MSMB Capital.

8 Q And that was the fund that you had been invested in?

9 A Yes.

10 Q If you look at the bottom right-hand corner of this  
11 chart, under the column ITD, there's a listing of a hundred  
12 percent -- 100.7 percent.

13 Do you see that?

14 A Yes.

15 Q What does ITD mean to you?

16 A Inception to date.

17 Q And what does 100.7 percent mean?

18 A It means that he, essentially, returned a hundred  
19 percent. He doubled the money of anyone that invested upon  
20 inception.

21 Q Did you communicate with the defendant after receiving  
22 this e-mail on September 9th, 2012 about redeeming your  
23 investment in MSMB Capital?

24 A Yes, I did.

25 Q In what form did you communicate with him?

Hassan - direct - Kasulis

1014

1 A Via e-mail.

2 MS. KASULIS: I'm showing you what's been marked for  
3 identification as Government's Exhibit 103-14. It's tab 34 of  
4 your binder.

5 Q Do you recognize this document?

6 A Yes, I do.

7 Q What is it?

8 A It's the e-mail that I sent in response.

9 Q In response to the September 9th, 2012 e-mail that the  
10 defendant sent?

11 A Yes.

12 MS. KASULIS: The Government moves this Exhibit into  
13 evidence, Your Honor.

14 MR. BRAFMAN: No objection.

15 THE COURT: We receive Government's Exhibit 103-14  
16 without objection.

17 (Government's Exhibit 103-14 received in evidence.)

18 (Exhibit published to jury.)

19 Q This appears to be an e-mail from you, sent to the  
20 defendant Martin Shkreli, dated September 28th, 2012 which he  
21 then responds to on the same day, September 28th, 2012.

22 And it appears to be in response to that  
23 September 9th, 2012 e-mail about the dissolution of the fund;  
24 is that right?

25 A Yes.

Hassan - direct - Kasulis

1015

1 Q Directing your attention to the middle of the page, your  
2 e-mail dated September 28th, 2012.

3 A Yes.

4 Q It appears to be from you to Mr. Shkreli, the subject is:  
5 Confidential: For Martin Shkreli's eyes only.

6 Did you change the subject line of the e-mail, the  
7 original e-mail?

8 A Yes, I did.

9 Q Why did you do that?

10 A Well, I had put my account number in there, so I didn't  
11 know if anyone else monitored his e-mails for him, like an  
12 administrative assistant, but I didn't want too many people to  
13 see my personal banking information.

14 Q And can you please read this e-mail that you wrote to the  
15 jury.

16 A Dear Martin, thank you for updating me on your fund. I  
17 have the following requests: One, please liquidate my  
18 position and send the cash at my account number at Bank of  
19 America. Subsequent to this, please plan on receiving  
20 \$100,000 as investment into Retrophin. This investment is  
21 subject to the appropriate paperwork being in place.

22 Q And then how did you end the e-mail?

23 A Looking forward to hearing from you, best, Sarah.

24 Q And then if we could scroll up to the top of the e-mail.

25 And the defendant's response to you that day was:

Hassan - direct - Kasulis

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1 Thank you, Sarah.

2 Is that correct?

3 A Yes.

4 Q Now, subsequent to this e-mail, this e-mail was  
5 September 2012.

6 Did you have any understanding as to whether  
7 Retrophin remained a private company or went public?

8 A I know at some point they did a reverse merger with  
9 Desert Gateway, but I don't exactly remember the timeline.

10 MS. KASULIS: Directing you to, for identification,  
11 to Government's Exhibit 103-17.

12 Q Do you recognize this Exhibit?

13 A Yes, I do.

14 Q And what is it?

15 A This is an e-mail he had sent out with it looks like a  
16 press release attachment of: Retrophin completes reverse  
17 merger with Desert Gateway, Inc.

18 Q And when you say "he," who are you referring to?

19 A Martin Shkreli.

20 MS. KASULIS: The Government moves this Exhibit into  
21 evidence.

22 MR. BRAFMAN: No objection, Your Honor.

23 THE COURT: We receive Government's Exhibit 103-17  
24 without objection.

25 (Government's Exhibit 103-17 received in evidence.)

Hassan - direct - Kasulis

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1 (Exhibit published to jury.)

2 Q This e-mail is dated December 18th, 2012 from the  
3 defendant with a BCC, a blind carbon copy, of a number of  
4 individuals, including yourself; is that correct?

5 A Yes.

6 Q The subject is: Retrophin or RTRX completes reverse  
7 merger?

8 A Yes.

9 Q What is RTRX to you?

10 A It's the ticker sign for Retrophin.

11 Q What is a ticker sign?

12 A When you go to trade a stock, you don't usually type in  
13 the full company name. Usually, they have kind of an  
14 abbreviation to use to trade.

15 Q And your understanding from this e-mail is to notify the  
16 recipients regarding Retrophin's reverse merger?

17 A Yes.

18 Q What is the entity to which Retrophin had reverse merged?

19 A Desert Gateway.

20 Q After your request in Government's Exhibit 103-14 to  
21 redeem your investment in MSMB Capital in cash, did you  
22 receive your cash shortly after that e-mail?

23 A No, I did not.

24 Q Did you communicate with the defendant at all regarding  
25 redeeming your investment?

Hassan - direct - Kasulis

1018

1 A I did ask for an update.

2 Q In what form did that update take?

3 A I made a request via e-mail.

4 MS. KASULIS: Showing you what's been marked for  
5 identification as Government's Exhibit 103-19.

6 Q Do you recognize this document?

7 A Yes, I do.

8 Q What is it?

9 A An e-mail correspondence between Martin and I.

10 MS. KASULIS: The Government moves this Exhibit into  
11 evidence.

12 MR. BRAFMAN: No objection.

13 THE COURT: We receive 103-19 in evidence without  
14 objection.

15 (Government's Exhibit 103-19 received in evidence.)

16 (Exhibit published to jury.)

17 MS. KASULIS: Directing your attention to the e-mail  
18 at the bottom of the page.

19 Q And e-mails at the bottom of the page are typically  
20 earliest point in time in an e-mail chain; is that correct?

21 A Yes, that's correct.

22 Q It appears to be from you, dated December 19th, 2012.

23 The prior e-mail was in September, is that correct,  
24 2012?

25 A Yes.

Hassan - direct - Kasulis

1019

1 Q To Mr. Shkreli and the subject is: MSMB Capital.

2 Can you please read this e-mail to the jury.

3 A Sure.

4 Hi Martin, congratulations on the transition with  
5 Retrophin. I was wondering when you are going do be sending  
6 out the disbursements from MSMB Capital. In our previous  
7 conversations you mentioned I could expect something plus or  
8 minus week of Thanksgiving. I know you have been busy with  
9 Retrophin, but do you have any updates on MSMB? Thank you for  
10 your time, thanks, Sarah Hassan.

11 Q And if we could scroll up to the response to this e-mail.

12 It appears that Mr. Shkreli responded to you on the  
13 same day, within one minute, on December 19th, 2012. And he  
14 states: I will definitely give you an update soon. I am  
15 trying to keep my head above water for now. I'm sorry about  
16 this, I promise I will try to do something ASAP.

17 Is that correct?

18 A Yes.

19 Q And then, if we could scroll up to your response.

20 Which is dated January 3rd, 2013; is that correct?

21 A Yes.

22 Q And I'll direct your attention to the middle of this  
23 e-mail starting with: I know you are busy.

24 Can you please read that to the jury.

25 A Just starting at that point?



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1 Q Yes.

2 A I know you are busy, but at your earliest convenience can  
3 you please give me some kind of update on the disbursements  
4 from MSMB Capital? Hope all is well, Sarah.

5 Q And immediately prior to that, you wished Mr. Shkreli a  
6 Happy New Year and fruitful new year, right?

7 A Yes.

8 Q And did you receive any updates from Mr. Shkreli shortly  
9 after this e-mail regarding your investment in MSMB Capital?

10 A I don't recall exactly what the next update was, but I do  
11 know I still had to follow up from this point.

12 Q And in what fashion did you follow up with the defendant?

13 A I almost always follow up in e-mail.

14 MS. KASULIS: I'm showing you what's been marked for  
15 identification as Government's Exhibit 103-20.

16 Q Do you recognize this document?

17 A Yes, I do.

18 Q And what is it?

19 A An e-mail, another e-mail chain between Martin and  
20 myself.

21 Q And is it dated at the top January 21st, 2013?

22 A Yes.

23 MS. KASULIS: And I'm also going to show you  
24 Government's Exhibit 103-21. It's behind tab 38.

25 Q Do you recognize this document?

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1 A Yes.

2 Q What is it?

3 A More e-mails between Martin Shkreli and myself.

4 MS. KASULIS: The Government moves these Exhibits  
5 into evidence.

6 MR. BRAFMAN: Say the numbers again, please?

7 MS. KASULIS: Sure, Government's Exhibits 103-20 and  
8 103-21.

9 MR. BRAFMAN: No objection.

10 THE COURT: We will receive 103-20 and 103-21  
11 without objection.

12 (Government's Exhibit 103-20 and 103-21 received in  
13 evidence.)

14 (Exhibit published to jury.)

15 Q Look at the first document, Government's Exhibit 103-20.  
16 This e-mail appears to be dated the top of the chain,  
17 January 21st, 2013. I think the last e-mail we looked at was  
18 in early January, right after New Years. It's from you to  
19 Martin Shkreli with various attachments.

20 Now, before we look at the body of this e-mail, do  
21 you have a recollection of how you felt at this point in time  
22 about your investment in MSMB Capital?

23 A I mean, I was still excited with the overall return that  
24 I had, but I was starting to get a little frustrated and upset  
25 that it was becoming increasingly difficult to actually

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1 collect my money.

2 Q So, let's turn to the body of this e-mail. And we will  
3 step through portions of this, but apparently it's quite  
4 lengthy.

5 Why did you send this e-mail to the defendant?

6 A Sorry, I'm just going to read it.

7 (Pause in the proceedings.)

8 A This was after a couple of back and forths of asking for  
9 updates and then not really getting any concrete answers. You  
10 know, I just wanted to remind him that, you know, he was a  
11 fiduciary of these funds. He was responsible for managing and  
12 distributing the funds as discussed and I just wanted to  
13 remind him that he decided to dissolve the fund, and several  
14 months prior had stated that I should have received my funds  
15 several months prior, and I was trying to be patient, but I  
16 was also frustrated and concerned that I wasn't getting my  
17 funds.

18 I also wanted to remind him not to use my father as  
19 an investor and advisor because I thought I had cleared that  
20 up in a couple of e-mails I had already sent, but I'd seen an  
21 article pop up, so it seemed like there was still somehow some  
22 confusion, so I wanted to remind him that that was not okay.

23 Q And so directing your attention to the very first  
24 paragraph.

25 Could you please read that paragraph. It's just a

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1 couple of sentences.

2 A I continue to have faith in your integrity. I still  
3 consider you the fiduciary of the money that I entrusted to  
4 you both from my personal funds and through Dynagrow funds,  
5 where I am the manager.

6 Q You had mentioned the word fiduciary.

7 What does fiduciary mean to you?

8 A He is responsible for managing that money and making sure  
9 that, especially things like if he commits to liquidating the  
10 fund and offering a cash position, he has to follow through  
11 with those commitments.

12 Q And then, directing your attention to the next paragraph,  
13 can you please read that.

14 A I would like you to tell me why you are refusing to  
15 return my cash after dissolving the fund. If you need money,  
16 you can ask for it, and I will consider it.

17 Q And then the next paragraph.

18 A You had already told all investors in MSMB Capital that  
19 their funds would be returned in cash, unless instructed  
20 otherwise, in an e-mail dated September 9th, 2012.

21 And I had attached it and made a reference.

22 I asked for my funds to be returned fully in cash  
23 with the subsequent transaction of \$100,000 investment into  
24 Retrophin subject to the appropriate paperwork being in place.

25 And I also attached that e-mail.

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1 Q And those are the two e-mails that we've seen already?

2 A Yes.

3 Q And then two paragraphs down, can you please read that  
4 paragraph into evidence.

5 A Can you please -- there's a typo.

6 Can you please tell show me the calculations that  
7 would help me determine what is now the current market value  
8 of my personal investment and the Dynagrow investment.

9 According to an e-mail you sent on September 9th, 2012, my  
10 personal investment was valued at \$435,266 net of fees as of  
11 June 2, 0120. This is separate from the Dynagrow investment,  
12 which was made exclusively into Retrophin. I have not  
13 received any updates since.

14 Q And then the next paragraph you make a reference about  
15 you had agreed to invest because of recommendations from  
16 Mr. Saunders and Mr. Banta; is that right?

17 A Yes.

18 Q And you had said: I hope you would not let them down at  
19 this time.

20 What did you mean by that?

21 A I was my gentle reminder that we had mutual contacts in  
22 the industry and I didn't think this was the reputation that  
23 he wanted to create for himself.

24 Q And the next paragraph, would you please read that one.

25 A Also, I continue to see comments being made that my

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1 father is an investor or an advisor to you. As I reiterated  
2 to you in an e-mail sent March 21st, 2012, Section C of the  
3 attachment, my connection to you is due to my decision and my  
4 decision alone. At no point was my father an investor or an  
5 advisor to you. Therefore, I trust you will drop my father's  
6 name in any of your dealings.

7 And I referenced an article where I saw my father  
8 misappropriately labeled.

9 Q And then the next two sentences, can you just read that  
10 last sentence starting: As a friend.

11 A As I friend I will continue to trust you. I hope, as the  
12 CEO of a public company, you do not betray my trust.

13 Q Why did you say as the CEO of a public company?

14 A It just didn't make sense to me that he was operating a  
15 company that was now public, but he still wasn't settling his  
16 old private -- his private funds, that just didn't make sense  
17 to me. It's -- you don't want to have a public company's CEO  
18 sort of in limbo with this stuff.

19 MS. KASULIS: If you turn to the next Exhibit that's  
20 already admitted into evidence. It's 103-21, Government's  
21 Exhibit, tab 38.

22 (Exhibit published to jury.)

23 Q And just to be clear, at the prior Exhibit, 103-20, the  
24 attachments that you reference in your e-mail are attached to  
25 this Exhibit; is that right?

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1 A Sorry.

2 (Pause in the proceedings.)

3 A That's correct.

4 Q So, 103-21. Does this appear to be the response that  
5 Mr. Shkreli had to your prior e-mail that was in Government's  
6 Exhibit 103-20.

7 A Yes, yes, it is.

8 Q Sorry, tab 38.

9 In the first paragraph Mr. Shkreli writes: Hi  
10 Sarah, thanks. I should be more clear. The fund has  
11 continued to invest in Retrophin and this is the only  
12 investment in the fund at this moment. There is no longer any  
13 cash at the fund level. I would not be alarmed. The plan as  
14 I see it, is to distribute the funds holding Retrophin stock.  
15 At this point Retrophin can buy back your Retrophin stock for  
16 the value mentioned. I can see your cash returned in the next  
17 two weeks.

18 What was your reaction to reading that paragraph?

19 A To be frank, I felt somewhat betrayed at that point.

20 Q Why?

21 A I was told that I could get my cash from the fund months  
22 ago. A long time prior to this. So, actually, probably about  
23 a year prior. So, I didn't understand; if he had already  
24 committed, he wrote to me I could redeem my investment in the  
25 form of cash if I wanted to and I'd let him know that.

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1 That's, in fact, what I wanted. So to hear over a year later  
2 that that cash is gone, it was, well, it was, it was  
3 upsetting.

4 Q Prior to this point in time, January 2013, did you have  
5 any awareness as to what Mr. Shkreli wrote, that the fund had  
6 continued to invest in Retrophin and this is the only  
7 investment in the fund at this moment?

8 A No, I had no idea that that was taking place.

9 Q And what was your reaction to that?

10 A I was upset. Again, I saw that as being my cash. I was  
11 told that I could have access to that cash over a year prior.  
12 It just seemed like it was, it was just not right.

13 Q And then, in the next paragraph, the defendant talks  
14 about: The comments in 2012 were blessed by your father, to  
15 my understanding, and are the only public comments in this  
16 regard. Ken Banta and our PR advisory set that interview up  
17 and this is what came out of it.

18 What was your reaction to reading that?

19 A I had a hard time believing that. My dad is very, very  
20 careful. I can't listen -- even for my own personal dealings  
21 if I wanted to list him as an advisor on something, I  
22 personally would still have to go through the Warburg Pincus  
23 approval process and I know he didn't do that. So, he's very  
24 careful. I had a hard time believing that that was accurate  
25 information.



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1 Q And then the last paragraph the defendant wrote: I wish  
2 the funds did not need to support Retrophin as much as it did.

3 He uses this word funds plural. Did you have an  
4 understanding as to which funds he was talking about?

5 A I did not realize that was a reference to funds as in  
6 hedge funds. I thought it was referring to funds as in money.  
7 And I assumed it was money from the fund.

8 Q And then he goes on to state: The reality is the last  
9 few months have been very trying. Thankfully, we have  
10 survived.

11 And then he later wrote: I hope you will continue  
12 to bet on me as a friend and as an investor. I am around  
13 tomorrow if you want more clarifications. I understand this  
14 has not been the most transparent or straightforward process.  
15 I wish I handled it differently but ultimately, I believe I've  
16 maximized results for all parties. Retrophin was on the  
17 brink, but is now in good shape. Thank you for your  
18 confidence. I read everything in this e-mail carefully.

19 What was your reaction to reading this paragraph  
20 about the state of Retrophin and the funds support of  
21 Retrophin?

22 A Again, it was still very much a surprise to me. I was  
23 never told that Retrophin was in such a distressed state that  
24 even needed like, funds that badly. I didn't put it together  
25 from the one e-mail asking if my dad would invest. I didn't

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1 think it was a dire state like this.

2 And again, I just still, I was very frustrated to  
3 see that, regardless of the state of Retrophin and MSMB, he  
4 committed to returning that money. So, regardless of the  
5 state of Retrophin, it didn't make sense to me that my money  
6 was gone. So, that was sort of still my feeling.

7 Q And did you respond then to this e-mail from the  
8 defendant?

9 A I don't recall if I -- I must have responded. I don't  
10 recall specifically.

11 MS. KASULIS: I'm showing you what's been marked for  
12 identification as Government's Exhibit 103-22.

13 Q Do you recognize this Exhibit?

14 A Yes, I do.

15 Q And what is it?

16 A It's follow-up correspondence to the previous e-mails.

17 Q And that's dated within a day -- excuse me.

18 MS. KASULIS: The Government moves Government's  
19 Exhibit 103-22 into evidence.

20 MR. BRAFMAN: No objection.

21 THE COURT: We receive 103-22 without objection.

22 (Government's Exhibit 103-22 received in evidence.)

23 (Exhibit published to jury.)

24 Q Directing your attention to the middle of the first page  
25 of this Exhibit. This appears to be a response to

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1 Mr. Shkreli's prior e-mail dated January 22nd, the next day,  
2 2013; is that correct?

3 A Yes.

4 Q Directing your attention to the middle of the paragraph,  
5 starting: So here are my new questions.

6 Can you please read that until the end of the  
7 friendship sentence, please.

8 A If Retrophin buys back my Retrophin stock, how much will  
9 I receive based on today's market price? Also, would this  
10 constitute a loss or a gain to my original investment in your  
11 fund? Even after the stock repurchase, how many shares of  
12 Retrophin will I still own and what will their value be on  
13 today's prices? You were the only person I decided to invest  
14 in because of our friendship.

15 Q So, did you have any understanding as to the price of  
16 Retrophin stock at this point in time?

17 A I don't recall. I don't think I had a sense of it.

18 Q And the next sentence?

19 A Continue reading?

20 Q Yes.

21 A I hope you understand my anxiety since I have not  
22 received paperwork to give me information on what happened to  
23 my money.

24 Q And you concluded by saying: Thanks again for working on  
25 this, I look forward to hearing from you, best, Sarah.

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1 Is that right?

2 A Yes.

3 Q It appears that you're still taking a -- why were you --  
4 why did you still have this tone in your e-mails with respect  
5 to your correspondence with the defendant?

6 A I'm generally somewhat, I don't really like conflict and  
7 I'm not, I, I, I wanted to make sure we got to an end result  
8 but at the same time, this gentleman still is holding my money  
9 and it was a very significant portion of my money. So, it was  
10 in my best interest to try and keep it friendly.

11 Q And then his, the response from the defendant is dated --  
12 your e-mail is January 22nd of 2013 and his response is dated  
13 February 14th, 2013. So, apparently a couple weeks later.

14 The defendant wrote: You might have noticed we  
15 raised \$10 million in the financing. This is a big milestone  
16 for Retrophin. I can now fully turn my attention to helping  
17 resolve the fund situation. I will be in touch later today  
18 with some thoughts on how to proceed.

19 What was your reaction to seeing that there had been  
20 this \$10 million in financing?

21 A Well, when he said you might have noticed, I didn't know  
22 until he mentioned it and then I went to look it up. I really  
23 didn't have much to think on it. I was honestly just so  
24 fixated on what does this mean in terms of when you're  
25 actually going to return my funds. I didn't understand what

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1 it meant for me.

2 Q And then did you have continued correspondence with the  
3 defendant regarding attempting to get back your investment in  
4 MSMB Capital?

5 A Yes, I did.

6 MS. KASULIS: Directing your attention to  
7 Government's Exhibit 103-23.

8 Q Do you recognize this Exhibit? It's tab 39, I apologize.  
9 Oh, actually, tab 40.

10 A Thanks.

11 Q Do you recognize this Exhibit?

12 A Yes, I do.

13 Q And what is it?

14 A It's additional e-mail correspondence between Martin  
15 Shkreli and I.

16 MS. KASULIS: The Government moves this Exhibit into  
17 evidence.

18 MR. BRAFMAN: No objection.

19 THE COURT: We receive 103-23 without objection.

20 (Government's Exhibit 103-23 received in evidence.)

21 (Exhibit published to jury.)

22 Q Starting at the bottom of this e-mail chain. It appears  
23 to be a message from Leonora.

24 Do you know who that is?

25 A I'm not familiar.

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1 Q At a Retrophin address.

2 It's dated March 20th of 2013 with the subject -- to  
3 Martin Shkreli, with the subject: Sarah has called for you.  
4 With your phone number there.

5 It appears then that Mr. Shkreli then writes an  
6 e-mail to you on the same day stating: Hi Sarah, got your  
7 message. On our West Coast road show. Don't have a minute to  
8 chat. Will call when back in the City. You are on the top of  
9 my mind.

10 Do you know why you were calling the defendant at  
11 this time?

12 A I believe it was more follow-up on trying to obtain my  
13 funds.

14 Q And then in response, at the top of the e-mail chain  
15 dated March 27th, 2013, you respond. Can you please read your  
16 response to the jury.

17 A Hi Martin, it was a pleasure speaking with you today. I  
18 know you're busy, so thank you for taking the time to hammer  
19 out these last few issues. Attached you will find my personal  
20 wiring instructions. Please shoot me a quick e-mail when the  
21 wire has come through. To confirm my understanding of our  
22 conversation sometime either today or this week you will wire  
23 approximately \$300,000 to my account as I am selling just some  
24 of my shares back and I can expect the remaining \$200,000 or  
25 show will come in stock. Did I understand that correctly?

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1 Looking forward to hearing from you soon, best Sarah.

2 Q So, with respect to the sentences starting: To confirm  
3 my understanding from our conversation.

4 At this point in time, what had you discussed with  
5 the defendant about getting your investment back from  
6 MSMB Capital?

7 A Can you expand just a little bit?

8 Q Sure.

9 So, with respect to what you memorialized here  
10 regarding your conversation with the defendant, what do you  
11 recall about that conversation with the defendant as to how to  
12 resolve your outstanding issue with respect to getting your  
13 investment back from MSMB Capital?

14 A My understanding was that I was going to obtain my  
15 initial investment, the \$300,000 in cash, and that anything  
16 remaining would -- I would receive in the form of shares.

17 Q At this point in time or at any point in time in this  
18 time period, the 2013 time period, did you receive any shares  
19 of Retrophin?

20 A I did at one point receive from my personal investment, I  
21 received a stock certificate for Desert Gateway, essentially  
22 Retrophin, yeah.

23 Q And did you receive any other stock certificates?

24 A For Dynagrow Capital I received a stock certificate for  
25 Retrophin. (Continued on following page.)

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1 DIRECT EXAMINATION

2 BY MS. KASULIS: (Continuing)

3 Q And so with respect to the Desert Gateway stock  
4 certificate, did you have any understanding as to why you  
5 received that stock certificate?

6 A No. I was -- I was sort of stumped. I wasn't told I was  
7 going to be getting it. This is still when I was expecting to  
8 be getting some type of cash at some point. We hadn't quite  
9 worked all this out, and then one day I was opening mail and I  
10 think I had a Fed Ex, or something, and I opened it up and  
11 there was a stock certificate for Desert Gateway. And I  
12 really didn't understand how that came to be or what that was  
13 worth or what it meant, and it was very odd.

14 Q And you were saying that was for your personal  
15 investment. What personal investment are you referring to?

16 A My investment in MSMB Capital.

17 Q Did you reach out to the defendant at all regarding the  
18 -- regarding getting the Desert Gateway shares in Fed Ex?

19 A Yes, I believe so.

20 Q Do you recall the discussion you had with the defendant?

21 A Not exactly.

22 Q Do you recall any explanation the defendant gave you with  
23 respect to why you had received those shares?

24 A I don't recall.

25 Q In this e-mail, when you talk about "As I am selling some



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1 of my shares back," which shares are you referring to?

2 A I was under the impression that I was going to get  
3 \$500,000 worth of Retrophin shares but that the company  
4 Retrophin would be immediately buying back \$300,000 worth of  
5 those shares.

6 Q And what is your understanding based on?

7 A Just from the phone call that I had had with Martin.

8 Q And did you have -- were you able, after this e-mail, did  
9 you, in fact, get a wire transfer of \$300,000 into your  
10 account?

11 A No, I did not.

12 Q Did you continue to have communications with the  
13 defendant regarding your MSMB Capital investment?

14 A Yes, I did.

15 Q I am directing your attention to Government Exhibit  
16 103-27. It's tab 44 of your binder.

17 A I'm sorry, tab what?

18 Q I'm sorry, 44. Do you recognize this document?

19 A Yes, I do.

20 Q And what is it?

21 A E-mail correspondence between Martin and I.

22 MS. KASULIS: The Government moves this exhibit into  
23 evidence.

24 MR. BRAFMAN: No objection.

25 THE COURT: We have received Government Exhibit

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1 103-27 without objection.

2 (Government's Exhibit 103-27 was received in  
3 evidence.)

4 Q Starting at the bottom of the page, it appears to be a  
5 two-page e-mail exchange between yourself and the defendant  
6 from March 9, 2013 to April 2, 2013; is that correct?

7 A Yes.

8 Q Starting at the bottom of page 1 -- or excuse me, the  
9 bottom of page 2, it appears to be an e-mail from yourself,  
10 dated March 29, 2013, to the defendant. You write, in the  
11 middle of the e-mail: "On the phone, you mentioned that if  
12 you weren't able to send the funds to my account on Wednesday,  
13 3/27, that you would send them by the end of this week. Are  
14 we still on target for that? Thank you. Best, Sarah."

15 And then, if you look at the next e-mail, there  
16 appears to be a response from the defendant at the bottom of  
17 the first page. This is an e-mail from the defendant to you,  
18 with a carbon copy to Evan Greebel, and the defendant writes:  
19 "Unfortunately, my lawyers think we should sign an agreement  
20 to document the transaction. We will get you that this  
21 weekend."

22 What was your response to receiving this e-mail  
23 about needing to have an agreement?

24 A Part of me thought it was another delay, another delay  
25 tactic, just because it had been so long that I had been

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1 trying to obtain my funds. And the second part of me was  
2 confused because I didn't know what kind of agreement he was  
3 trying to imply that we needed to sign. I thought it was some  
4 kind of like fund disbursement agreement or something like  
5 that. I wasn't exactly sure what it was.

6 Q Up until this point in time, had you been communicating  
7 with Evan Greebel at all regarding the disbursement of your  
8 investment in MSMB Capital?

9 A No.

10 Q In response, you can go a little higher up in the chain,  
11 it's dated March 31st, 2013. You write: "Martin, that's  
12 fine. Obviously, it doesn't fit the discussed timing last  
13 week. For my knowledge, when can we execute the paperwork and  
14 transaction? Thank you. Best, Sarah."

15 And then, in response, farther up in the chain, Mr.  
16 Shkreli writes: "Tomorrow afternoon. Sorry for the delay and  
17 incorrect timing. Evan has promised the documents by then.  
18 Assume brief review by you tomorrow afternoon should work."

19 Do you recall receiving the paperwork in a timely  
20 manner after this?

21 A No. I required some follow up just to make sure.

22 Q I'm showing you what has been marked for identification  
23 as Government Exhibit 103-29. It's tab 46 of your binder.

24 Do you recognize this exhibit?

25 A Yes.

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1 Q What is it?

2 A More correspondence between Martin and I.

3 MS. KASULIS: The Government moves this exhibit into  
4 evidence.

5 MR. BRAFMAN: No objection.

6 THE COURT: We've received 103-29 without objection.

7 (Government's Exhibit 103-29 was received in  
8 evidence.)

9 Q Now, directing your attention to the second page of this  
10 exhibit. The bottom of that page, it appears to be an e-mail  
11 from you, dated April 5, 2013, to the defendant Martin  
12 Shkreli, entitled settlement and release agreement.

13 What are you referring to with respect to the  
14 settlement and release agreement?

15 A Well, in the other e-mail, he referenced my attorneys  
16 think we should sign an agreement before moving forward. And  
17 it wasn't some kind of funds distribution agreement or  
18 something, it was a settlement and release agreement.

19 Q What did that mean to you? What's the difference?

20 A Usually, when you have -- and frankly, I had thought I  
21 had never gone through the process of doing a settlement and  
22 release agreement before, but I always thought it was a way of  
23 avoiding getting sued or like coming to an agreement before  
24 getting sued or after getting sued. That was my understanding  
25 of it. But basically it was so that -- we were agreeing to

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1 the terms that he would give me a certain amount of money and  
2 a certain amount of shares and that I wouldn't take action  
3 against him, or any of the entities he was involved in, and  
4 that I wouldn't say any negative or disparaging comments  
5 against him or any of those entities.

6 Q And had you threatened to take any legal action against  
7 Mr. Shkreli at this point in time?

8 A None at all.

9 Q Why is that?

10 A I trusted him. I thought that he was a strong hedge fund  
11 manager, that he had done well. I trusted him, so I didn't  
12 think that it required legal action.

13 Q If you go higher in the e-mail chain, Mr. Shkreli  
14 responds within three days to you: "I sent to our attorney to  
15 blast."

16 Do you have an understanding as to who he is  
17 referring to there?

18 A I believe he was referring to Evan Greebel.

19 Q If we look at the first page of the document, it appears  
20 to be additional back and forth e-mails regarding updates or  
21 changes to the settlement and release agreement; is that a  
22 fair characterization of the e-mail chain?

23 A Yes.

24 Q Directing your attention to the e-mail dated April 16,  
25 2013, you state: "Hi, Martin. I tried you calling today --

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1   tried calling today and left a message with your office. Were  
2   you able to get in touch with Evan to see if he made any  
3   revisions or if he is fine with the minor changes so that we  
4   can move forward? I would really like to close this  
5   transaction as soon as possible. Considering the amount of  
6   time since the announcement of MSMB winding down, and the  
7   travels to get us to this point, I'm sure you can understand.  
8   Please let us know where you are with this. Looking forward  
9   to speaking with you soon. Best, Sarah."

10               What was your understanding of Evan Greebel's  
11   involvement in dealing with the settlement and the release  
12   agreement?

13   A    I wasn't totally familiar. I didn't really have many  
14   interactions with him. It seemed to be administrative stuff.  
15   I don't know.

16   Q    So with respect to who you believed you were negotiating  
17   with at this point in time regarding the settlement and  
18   release agreement, who would that be?

19   A    Martin. I mean, even on the phone, I forget if it was at  
20   this point or later on, but there were certain times where we  
21   actually agreed to terms on the phone in regards to  
22   compensation from the settlement and release agreement.

23   Q    After this point in time, did you continue to exchange  
24   drafts of the settlement agreement with the defendant?

25   A    Yes, there were a few back and forth's.

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1 Q And ultimately did you reach a resolution, a final  
2 version of the settlement and release agreement?

3 A Yes, we did.

4 Q I am directing your attention to Government Exhibit  
5 103-31.

6 Do you recognize this exhibit?

7 A Yes.

8 Q And what is it?

9 A E-mail correspondence between myself and Martin and Evan.

10 MS. KASULIS: The Government moves this exhibit into  
11 evidence.

12 MR. BRAFMAN: No objection.

13 THE COURT: We have received Government Exhibit  
14 103-31 in evidence without objection.

15 (Government's Exhibit 103-31 was received in  
16 evidence.)

17 Q If you look at the earliest e-mail in this chain, the  
18 second page of the e-mail --

19 A This?

20 Q It's the second page, I'm sorry. The bottom e-mail, the  
21 very first e-mail in the chain. It is from Mr. Shkreli, the  
22 defendant, dated April 17, 2013, to you, Sarah Hassan. He  
23 states: "I gave Evan an update on the document. Two or three  
24 things need to be added and we should be done."

25 When you were going back and forth with drafts of

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1 the document, was it your understanding that Mr. Shkreli was  
2 included in going -- in those exchanges back and forth  
3 regarding the agreement?

4 A Yes.

5 Q And then it appears that -- farther up in the chain, you  
6 state: "Thanks for the update. When will you be able to send  
7 these changes along?"

8 And then Mr. Shkreli writes, on April 18th, 2013,  
9 with a cc to Mr. Evan Greebel: "I don't know, Evan, did you  
10 get and incorporate my thoughts?"

11 Now, was this reflective of the nature of your  
12 interactions with Mr. Shkreli and Mr. Greebel during this time  
13 period?

14 A Yes.

15 Q Were you ultimately able to execute the settlement and  
16 release agreement?

17 A Yes, I was.

18 Q I am showing you what has been marked for identification  
19 as Government Exhibit 52. It is tab 50 of your binder.

20 Do you recognize this document?

21 A Yes.

22 Q And what is it?

23 A More correspondence between Martin and myself.

24 MS. KASULIS: The Government moves this exhibit into  
25 evidence.



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1 MR. BRAFMAN: No objection.

2 THE COURT: We have received Government Exhibit 52  
3 without objection.

4 (Government's Exhibit 52 was received in evidence.)

5 Q It appears to be an e-mail dated April 26, 2013, from Mr.  
6 Greebel to you, with a carbon copy to Martin Shkreli, and it  
7 is a forward entitled settlement and release agreement with an  
8 attachment; is that correct?

9 A Sorry, where are you looking?

10 Q I'm sorry, I was looking at tab -- I'm wrong. I'm sorry,  
11 it is tab 51. It is Government Exhibit 52. I apologize.

12 A Yes.

13 Q Do you recognize Government Exhibit 52?

14 A Yes.

15 Q Just for the record, you recognize it?

16 A Yes. This is when we finished the settlement agreement.

17 Q Okay. And, again, does this exhibit reflect an e-mail  
18 with an attachment and the body of the e-mail states attached  
19 is the duly executed settlement agreement?

20 A Yes.

21 Q Then directing your attention to the next page of this  
22 document, is this, in fact, the settlement and release  
23 agreement that you entered into?

24 A Yes.

25 Q Directing your attention to the second-to-the-last page

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1 of this exhibit, Bates number R 017081, is that your signature  
2 there on the left-hand side above Sarah Hassan individually?

3 A Yes, it is.

4 Q And then on the right-hand side, do you see entities  
5 listed out, including Mr. Shkreli, individually; Retrophin,  
6 Inc.; MSMB Capital Management, LLC; MSMB Capital, LP; MSMB  
7 Healthcare, LP; and then on the next page of this exhibit.  
8 MSMB Healthcare Investors, LLC; MSMB Healthcare Management,  
9 LLC. Do you see Mr. Shkreli has signed for all of those  
10 entities; is that correct?

11 A Yes.

12 Q With respect to the MSMB entities that were listed, did  
13 you have an understanding as to the difference between these  
14 entities?

15 A No, I did not.

16 Q Can you explain for the jury -- so to go back to the  
17 first page of the settlement and release agreement, Bates  
18 number R-018165?

19 MR. BRAFMAN: I'm sorry, is this agreement in  
20 evidence?

21 THE COURT: Yes.

22 MS. KASULIS: Yes.

23 MR. BRAFMAN: Thank you.

24 Q The first paragraph, what is the date for this agreement?

25 A April 25, 2013.

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1 Q And subsequent to that, it appears to be entered into  
2 between yourself and then all of the entities that had been  
3 listed in the signature pages of this agreement; is that  
4 right?

5 A Yes.

6 Q And then directing your attention, there are a number of  
7 whereas clauses in the middle of this agreement. The second  
8 to last whereas clause -- I'm sorry, the third to last,  
9 states: "Releasor made \$300,000 personal investment in MSMB  
10 Capital, LP in January of 2011."

11 What is your understanding of who the releasor is?

12 A Me.

13 Q Then the next whereas clause states: "Whereas each of  
14 the MSMB entities intends to liquidate and wind up," what was  
15 your understanding of which MSMB entity -- what was your  
16 understanding of which MSMB fund was referred to there?

17 A Again, I thought MSMB Capital was the fund. I thought  
18 the others were just associated entities.

19 Q Then below that, it states: "Whereas, in connection with  
20 the liquidation, the parties are entering into this Agreement  
21 in order to settle and comprise fully and finally certain  
22 claims as provided herein."

23 And then at the very bottom, it says, number one,  
24 "Payment Terms."

25 Can you please describe for the jury what payment

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1 terms were reached and memorialized in this settlement and  
2 release agreement?

3 A \$400,000 in cash, and 58,306 shares of Retrophin.

4 Q And is the 58,306 shares of Retrophin memorialized on the  
5 second page of this document?

6 A Yes.

7 Q In the Ownership and Delivery of Shares section?

8 A Yes.

9 Q And what was your understanding as to whether these  
10 Retrophin shares were liquid or illiquid at the time?

11 A I knew he had made it a publicly traded company, but I  
12 didn't know that these shares were restricted.

13 Q What do you mean by restricted?

14 A I wouldn't have had the ability to go sell them the next  
15 day if I wanted to.

16 Q Over what period of time were those shares restricted?

17 A I forget exactly the period, it was a minimum of six  
18 months. I forget exactly the period.

19 Q Did you have an understanding as to the value of the  
20 shares at that point in time?

21 A Not entirely, but I wasn't -- again, if it wasn't liquid,  
22 I wasn't sure if there would be any value.

23 Q Why do you say is that? Can you please explain that for  
24 the jury?

25 A I mean, it's -- I had gotten e-mails at this point saying

Hassan - direct - Kasulis

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1 that Retrophin was really distressed at certain points and  
2 required the fund's money just to survive. So, I mean, I  
3 didn't know what the state of the company was going to be in,  
4 it was such a difficult process obtaining my money the first  
5 time. I just sort of felt like the odds were not in my favor  
6 to do particularly well with the shares.

7 Q And within this agreement, did you agree to release any  
8 sort of claims against the defendant or the entities listed in  
9 the signature block of this agreement?

10 A Yes.

11 Q Directing your attention to the first page of this  
12 document, in the payment term section. The beginning of this  
13 first sentence reads: "Retrophin agrees to deliver or caused  
14 to be delivered to Releaser the total amount of \$400,000 in  
15 cash upon execution and delivery of this Agreement."

16 Is it fair to say that Retrophin here is reflected  
17 as the payor of the \$400,000 that you -- that this agreement  
18 memorializes that you would receive?

19 A I believe so.

20 Q What, if any, concerns did you have about Retrophin being  
21 the company that was paying, according to this agreement?

22 A I hadn't thought that deeply into it, but I also assumed  
23 that there must have been some correlation between Retrophin  
24 and MSMB. I mean, I had close to half a million dollars  
25 towards the end of the capital accounts that was supposed to

Hassan - direct - Kasulis

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1 have gotten invested into there. I didn't know exactly how  
2 the mechanics worked.

3 Q When you are saying that MSMB supposedly invested in  
4 Retrophin, what were you basing that on, where did you get  
5 that understanding from?

6 A Well, from -- I mean, a long time ago, the cap table had  
7 listed MSMB and then, even when I was asking to redeem my cash  
8 and I was told there was no cash left at the fund level, I was  
9 told it was because it all had to go to support Retrophin. So  
10 I'm assuming it wasn't just my cash, I'm assuming there were  
11 other investors who then had money maybe greater than my  
12 almost half a million rolled over into there.

13 Q Who told that you the money had been put into -- that the  
14 MSMB capital money had been put into Retrophin?

15 A This is from the e-mail with Martin when he stated that  
16 there was no longer any money at the fund level.

17 Q Did you have any understanding as to whether Retrophin's  
18 board of directors had approved this agreement or not?

19 A I didn't know.

20 Q Now, subsequent to this agreement -- so this is dated  
21 April 25, 2013; is that correct?

22 A Yes, that's correct.

23 Q And you had received the e-mail about dissolution of the  
24 fund in September of 2012; is that right?

25 A Yes. Yes.

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1 Q Did you -- subsequent to this agreement, did you actually  
2 receive the \$400,000?

3 A Yes, I did.

4 Q Now, with respect to your Retrophin shares, did there  
5 come a point in time when you were able to sell those shares?

6 A Eventually, yes.

7 Q And do you recall when that was?

8 A I think it was March of 2015.

9 Q So a couple years after this agreement?

10 A Yes.

11 Q Can you explain for the jury, you know, how much money  
12 you derived from selling your shares of Retrophin?

13 A Those shares ultimately become worth about \$900,000.

14 Q Did you have, with respect to your separate investment in  
15 Retrophin -- when I say "your," Dynagrow's LLP's investment in  
16 Retrophin -- do you still retain any shares from that  
17 investment?

18 A No. I sold them in the same period.

19 Q And how much did you sell those shares for?

20 A I believe the total sale was around 1.4 million.

21 Q Did you have any issues at any point in time with respect  
22 to any tax documents you received from your Retrophin  
23 investment?

24 A Can you expand?

25 Q Did you ever receive any K-1 forms regarding your

Hassan - direct - Kasulis

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1 investment in Retrophin?

2 A The Dynagrow investment?

3 Q Yes, including the Dynagrow investment in Retrophin.

4 A Yes, I did.

5 Q I am showing you what has been marked for identification  
6 as Government Exhibit 103-35 and Exhibit 103-36, they are tabs  
7 53 and 54 of your binder.

8 MS. KASULIS: Your Honor, I have approximately five  
9 more minutes to finish.

10 THE COURT: All right. When she finishes, we will  
11 provide lunch breaks to the jury.

12 Q Those are tabs 53 and 54 of your binder. Do you  
13 recognize these exhibits?

14 A Yes.

15 Q What are they?

16 A They are K-1's.

17 MS. KASULIS: The Government moves these exhibits  
18 into evidence.

19 MR. BRAFMAN: No objection.

20 THE COURT: We have received 103-35 and 103-36 in  
21 evidence without objection.

22 (Government's Exhibits 103-35 and 103-36 were  
23 received in evidence.)

24 Q I'm showing you what has been marked as 103-35. The  
25 first page of this document -- within this document, it is



Hassan - direct - Kasulis

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1 addressed to Sarah Dynagrow and Fred Hassan?

2 A Yes.

3 Q And it appears to attach a copy of the 2012 Partnership  
4 Form 1065 Schedule K-1. What is a K-1?

5 A It's a necessary tax document for investors.

6 Q And then if you turn to the second page of the document,  
7 does this appear to be for the tax year time period of January  
8 1, 2012 to September 20, 2012?

9 A Yes.

10 Q And it is for, if you look at it, Part 1, Section B,  
11 Retrophin, LLC; is that correct?

12 A Yes.

13 Q And then the recipient, in Section F, is Sarah Dynagrow  
14 and Fred Hassan, the same recipients from the prior page; is  
15 that right?

16 A Yes.

17 Q Do you recall receiving this K-1?

18 A Yes, I do.

19 Q Do you recall your reaction to receiving it?

20 A Yes, I do.

21 Q What was that?

22 A I was very frustrated.

23 Q Why is that?

24 A We had already corrected this issue, I thought, in the  
25 past. And it didn't even make sense, there is no entity

Hassan - direct - Kasulis

1053

1 called Sarah Dynagrow. It was frustrating.

2 Q Directing your attention to a Government exhibit already  
3 in evidence, 103-36, do you recognize this document?

4 A Hang on one second.

5 Q I'm sorry, it is tab 54.

6 A Yes, I do.

7 Q What is it?

8 A More e-mail correspondence.

9 Q Does this e-mail reflect -- if you focus on the middle of  
10 the page, it is dated September 26, 2013, from you to Mr.  
11 Shkreli with a cc to Evan Greebel. Can you please read this  
12 e-mail into evidence?

13 A "Hi, Martin and Evan. I hope all is well. I recently  
14 received the K-1 for Retrophin. I think there is still some  
15 confusion. You listed Sarah Dynagrow and Fred Hassan as the  
16 partners. As previously -- as we previously discussed in the  
17 e-mails below, my father's name should not be listed as he is  
18 not an investor. In addition, we have no entity name called  
19 Sarah Dynagrow. If you don't mind, can you please make sure  
20 this is corrected to read Dynagrow Capital, LLP instead of  
21 Sarah Dynagrow and Fred Hassan? Your time and help would be  
22 greatly appreciated.

23 Thank you. Best, Sarah Hassan."

24 Q And in response, at the top of this page, e-mail dated  
25 September 26, 2013, Mr. Shkreli writes: "Sarah. I am so

Hassan - direct - Kasulis

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1 embarrassed. I don't know how this happened. Certainly not  
2 due to me. We will fix it. Martin."

3 Why is it important for the K-1 to reflect the  
4 correct investors in a partnership?

5 A Well, this is a legal tax document. It makes it more  
6 complicated when you are trying to do the filings if you are  
7 filing with a document that has a name that is very far off  
8 from the actual entity name. It makes complications around  
9 tax time.

10 Q Are K-1's the kind of documents that are attached to IRS  
11 filings?

12 A Yes.

13 Q Did you, in fact, attach these K-1's to your tax returns  
14 during that time period?

15 A Yes.

16 Q Now, this e-mail exchange was in September of 2013. At  
17 this point in time, what were your feelings towards the  
18 defendant?

19 MR. BRAFMAN: Objection.

20 Relevance.

21 THE COURT: I will sustain it.

22 Q After this point in time, did you have any contact with  
23 the defendant?

24 A Not really. I think at one point he reached out to share  
25 another pitch deck from someone that I think was a friend of

Hassan - direct - Kasulis

1055

1 his, but beyond that, we really didn't have much contact.

2 Q Have you made any additional investments with the  
3 defendant?

4 A No, I have not.

5 Q Why not?

6 MR. BRAFMAN: Objection.

7 THE COURT: Overruled.

8 A I'd had a very troubling experience in the past. It was  
9 not something that I would choose to opt into again in the  
10 future.

11 MS. KASULIS: Just one moment, Your Honor.

12 (Pause.)

13 MS. KASULIS: Your Honor, I have no further  
14 questions at this time.

15 THE COURT: All right. At this time, ladies and  
16 gentlemen of the jury, we are going to give you a lunch break.  
17 You may retire to the jury room. I admonish you again, please  
18 don't talk about the case with anybody. I would like you to  
19 return to the jury room, if you would, please, at 2:00 p.m.  
20 sharp. When you are all here, we will bring you back in to  
21 resume the trial. Thank you.

22 (Jury exits the courtroom.)

23 THE COURT: All right. Let's take a one-hour break,  
24 please.

25 MR. BRAFMAN: Yes, your Honor. Thank you.

Hassan - direct - Kasulis

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1

MS. KASULIS: Thank you.

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(Lunch recess.)

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Hassan - cross - Brafman

1057

1 AFTERNOON SESSION

2 (In open court; jury not present.)

3 THE COURT: Have a seat everybody. Is everybody  
4 read to proceed?

5 MS. KASULIS: Yes.

6 THE COURT: I think our jurors are back.

7 Do you want to have Ms. Hassan resume the stand.

8 MR. BRAFMAN: Can I get up, Your Honor.

9 THE COURT: Yes. Go ahead and set up.

10 (Jury enters the courtroom.)

11 THE COURT: We have all jurors back. Please have a  
12 seat, everybody.

13 Mr. Brafman, if you would like to proceed with your  
14 cross examination, you may do so.

15 You are still under oath, ma'am.

16 CROSS-EXAMINATION

17 BY MR. BRAFMAN:

18 Q Good afternoon, Ms. Hassan.

19 A Good afternoon.

20 Q We have never met; is that correct?

21 A No, we have not.

22 Q I am Benjamin Brafman. I am Martin Shkreli's lawyer.

23 I'm just going to ask you questions, many of them similar to  
24 the questions that you were asked by Ms. Kasulis. Okay?

25 A Okay.

Hassan - cross - Brafman

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1 Q Just relax. If you don't understand a question, tell me  
2 and I will repeat it. And we may be looking at some exhibits  
3 that you may have already seen and others which I'll be asking  
4 you to identify. Okay?

5 A Okay.

6 Q Would it be a fair statement that dealing with Martin  
7 Shkreli can at times, as you explained, be frustrating?

8 A Yes.

9 Q And, indeed, Martin made you frustrated; is that correct,  
10 on different times?

11 A Yes.

12 Q He also made you a lot of money at the end of the story,  
13 didn't he?

14 A Well, after a period of time, the settlement agreement, I  
15 did make money from the settlement agreement.

16 Q If we could just do the math. We will start backwards  
17 from where Ms. Kasulis left off with, you invested \$300,000 in  
18 MSMB Capital; correct?

19 A Yes.

20 Q And then you invested another \$150,000?

21 A Yes, that's correct.

22 Q Let me start again. Don't let me rush you. Take your  
23 time.

24 You invested \$300,000 in MSMB Capital; is that  
25 correct?

Hassan - cross - Brafman

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1 A Yes.

2 Q And then you also invested \$150,000 in Retrophin; is that  
3 correct?

4 A Yes.

5 Q So you put in a total of \$450,000?

6 A Yes.

7 Q Ultimately, you got back \$400,000 in cash by wire  
8 transfer; correct?

9 A Yes.

10 Q And then you got 58,000 shares of Retrophin; is that  
11 correct?

12 A Yes.

13 Q When you first got the stock, some of it was restricted  
14 or all of it was restricted; correct?

15 A Yes.

16 Q But ultimately, it was tradeable and saleable; is that  
17 correct?

18 A Yes.

19 Q In total, after you sold the Retrophin shares, you got an  
20 additional \$1,400,000 as a result of the stock; correct?

21 A From the sale of which stock? The Dynagrow Capital?

22 Q Either Dynagrow Capital or Retrophin, or your personal  
23 stock, you made \$900,000 for yourself from the personal;  
24 right?

25 A Yes.



Hassan - cross - Brafman

1060

1 Q And then you made an additional \$400,000 for Dynagrow  
2 Capital; is that correct?

3 A That was the agreement, yes.

4 Q But you realized the terms of the agreement, when you  
5 sold the stock, you got money; right?

6 A Yes.

7 Q So, in total, you made, on a \$450,000 investment, about  
8 1.8 million dollars between what you got personally and what  
9 Dynagrow got; correct?

10 A Yes.

11 Q Okay. Now, I know it was frustrating, trust me, I've  
12 dealt with him, and you've had a lot of e-mail traffic, but at  
13 the end of the day, you had a successful investment with  
14 Martin Shkreli because you more than tripled your money;  
15 correct?

16 A Well, it wasn't -- I mean, from the settlement agreement,  
17 I did personally make money, but the straight Retrophin  
18 investment didn't truly make money as its own investment. But  
19 my own in the settlement agreement, I did eventually make  
20 money, yes.

21 Q But the Retrophin stock was given to you?

22 A Yes.

23 Q You didn't buy the Retrophin stock and then sell it;  
24 correct?

25 A No, I personally didn't intend to have any Retrophin,

Hassan - cross - Brafman

1061

1 but, yes.

2 Q But it came became a valuable piece of stock certificate  
3 at some point?

4 A Yes, it eventually became worth something.

5 Q And Martin kept telling you it would be; didn't he?

6 A Yes.

7 Q Now, these are not trick questions. Just answer  
8 truthfully and we will be fine.

9 MS. KASULIS: Objection.

10 THE COURT: Sustained.

11 MR. BRAFMAN: I'm sorry.

12 Q At the end of the day, the bottom-line is what Martin  
13 told you about Retrophin came true, it became a public company  
14 and it became very valuable; is that correct?

15 A Well, at one point, it did. But I do have to mention at  
16 one point it seemed like it was going to collapse. In fact,  
17 my investment went toward feeding it because it almost  
18 collapsed. It did ultimately become valuable, I agree with  
19 you, but it certainly was not without fear.

20 Q But the anxiety that you had ultimately paid off;  
21 correct?

22 A Yes. Sure. It was -- I don't know that you can say that  
23 it was a payoff. I did become very fortunate in how the trade  
24 went. But, again, it wasn't money I personally made from  
25 investment. It was money from a settlement agreement and I

Hassan - cross - Brafman

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1 never requested those shares. It was just sent to me.

2 Q And 5,000 of those shares he gave you? You didn't pay  
3 for anything? One day they just showed up in your Fed Ex  
4 envelope; right?

5 A Actually, the entire portion for myself just showed up in  
6 a Fed Ex envelope when I was still anticipated getting cash.

7 Q So, Martin didn't even tell you he was giving you 58,000  
8 shares until it showed up?

9 A No. He didn't make me aware he was giving me the stock  
10 instead of the cash.

11 Q Ultimately, when you signed the settlement agreement,  
12 Martin, or the other side, Retrophin had Evan Greebel as a  
13 lawyer; is that correct?

14 A Yes, he seemed to be an attorney listed on there.

15 Q But you had a lawyer as well; didn't you?

16 A Yes.

17 Q Ron Kornreich?

18 A Yes.

19 Q A very big law firm in New York, Stroock, Stroock &  
20 Lavan? Or Proskauer?

21 A Yes.

22 Q Proskauer; right?

23 A Yes.

24 Q And he was chosen by you to represent you in connection  
25 with the settlement agreement?

Hassan - cross - Brafman

1063

1 A Yes.

2 Q And at any point in time did your lawyer tell you that  
3 this settlement agreement was an illegal way to resolve this  
4 debt?

5 A No.

6 Q Would you have participated in signing the agreement if  
7 your lawyer told you it was a crime to do it?

8 A No, I would not have.

9 Q Okay. So your settlement agreement went back and forth  
10 -- and we will get to the e-mails in a minute. I just want  
11 the jury to understand that the settlement agreement you  
12 ultimately got went back and forth between your lawyer and Mr.  
13 Greebel because each side was editing it and changing some of  
14 the terms until both sides felt it was appropriate. Would  
15 that be a fair statement?

16 A Yes.

17 Q Okay. Now, let's go back to the beginning. After you  
18 graduated with a master's degree in the summer of 2010, you  
19 founded Dynagrow Capital; is that correct?

20 A Yes.

21 Q And Dynagrow Capital was a private equity fund; correct?

22 A Yes.

23 Q And Dynagrow Capital was a fund that originated out of  
24 the Hassan family money; is that correct?

25 A Yes.

Hassan - cross - Brafman

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1 Q There were no other investors in that fund; correct?

2 A No, that's correct.

3 Q Your family is -- has been blessed with a great deal of  
4 financial success earned by them and part of that is the \$10  
5 million that they put in Dynagrow Capital that they let you  
6 manage; is that correct?

7 A Yes.

8 Q Now, your father, Fred Hassan, is a legend in the  
9 pharmaceutical industry; isn't that correct?

10 A Some might say that.

11 Q And he's well-known?

12 A Yes, in the industry.

13 Q And he speaks at investment conferences on healthcare on  
14 a regular basis; correct?

15 A Yes.

16 Q And he participates as an expert panelist in many of  
17 these conferences; is that correct?

18 A Yes.

19 Q And would it be a fair statement that your father has  
20 gone from one major success to another in the pharmaceutical  
21 industry?

22 A He's been very fortunate within the pharmaceutical  
23 industry.

24 Q But also very smart?

25 A Yes, he's a smart gentleman.

Hassan - cross - Brafman

1065

1 Q And many of the people in the pharmaceutical industry  
2 have expressed a great deal of admiration and success for him  
3 over the years; would that be a fair statement?

4 A Yes.

5 Q Your father has been profiled repeatedly as one of the  
6 leading figures in the pharmaceutical industry?

7 A Yes.

8 Q Articles and biographies have been done about him in  
9 professional journals?

10 A Yes.

11 Q So it didn't strike you as a surprise that Martin  
12 Shkreli, one of the young, if you will, pharmaceutical  
13 investors wanted to be able to meet your dad? A lot of people  
14 want to meet your dad?

15 A Yes. That's fairly common.

16 Q Fairly common; right?

17 A I get approached fairly regularly.

18 Q But in the pharmaceutical industry, he is sort of like  
19 celebrity from that world; would that be a fair statement?

20 A I guess you could say so.

21 Q So your father was at Schering-Plough in 2009 when it  
22 merged with Merck; is that correct?

23 A Yes.

24 Q And you know that when companies like that merge, a lot  
25 of filings with the SEC indicate, you know, how much money was

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1 involved, and this was like a humongous merger in the  
2 pharmaceutical industry at that time; is that correct?

3 A Yes.

4 Q After working at Schering-Plough, your father then went  
5 to Warburg Pincus, which is a private equity fund?

6 A Yes.

7 Q And it's one of the biggest in the country, isn't it?

8 A It's fairly large, yes.

9 Q It manages at some different times between 40 and 50  
10 billion dollars, with a B; is that correct?

11 A Yes.

12 Q And your father, is he a principal at Warburg Pincus? Is  
13 he an equity partner? What is his title at Warburg Pincus?

14 A He's a partner.

15 Q And their largest investment at the time was in Bausch &  
16 Lomb, the company your father helped merged with other  
17 pharmaceutical giants; is that correct?

18 A Yes.

19 Q Now, when your father became a CEO of Bausch & Lomb, he  
20 had people around him that he took from company to company as  
21 they left and they were his core group of his right hands,  
22 left hands, of aids? Am I right?

23 A He was not the CEO, but he did -- the pharma industry is  
24 fairly small and there were a few people that he worked with  
25 in several companies.

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1 Q Well, let's talk about Brent Saunders. Brent Saunders is  
2 the person who introduced you to Martin Shkreli; correct?

3 A Yes.

4 Q And Brent Saunders is the man who vouched for Martin  
5 Shkreli, telling you that he had done well with Martin  
6 Shkreli; is that correct?

7 A Yes. He told me he was essentially a rising star and  
8 that he had had some phenomenal returns in the fund.

9 Q Did you think that Brent Saunders was lying to you?

10 A No.

11 Q And Brent Saunders is a man you have known your whole  
12 life, you told the Government?

13 A I've known him for quite some years.

14 Q Is he a close family friend and a colleague of your  
15 father's as well?

16 A Yes.

17 Q And he met your father when he was at Pricewaterhouse and  
18 your father was at Schering-Plough; is that correct?

19 A I believe so. I haven't perfectly tracked their  
20 relationship through the years. So I don't know everyone's  
21 backgrounds.

22 Q But when your father went to Bausch & Lomb, Brent  
23 Saunders became the CEO of Bausch & Lomb; isn't that correct?

24 A Yes.

25 Q And when your father was with a company called Pharmacia,



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1 Tom Koestler worked with him there; is that correct?

2 A Yes.

3 Q Do you know Tom Koestler?

4 A I know Mr. Koestler.

5 Q Is it pronounced "Kessler"?

6 A I believe so.

7 Q Okay. Mr. Koestler was a close colleague of Brent  
8 Saunders and also a close colleague of your dad's; is that  
9 correct?

10 A Honestly, I can't speak for -- they've worked together in  
11 many places, but I don't know who is a close colleague or  
12 who's not.

13 Q But every time your father went to a different company,  
14 Brent Saunders went with him, isn't it true?

15 A They did work together at several companies, but there's  
16 quite a list of people that all worked in the same company  
17 with him in several companies.

18 Q Okay. We will go through some of them if they're related  
19 to this case. For example, Ken Banta was your father's  
20 right-hand man when your father was at Schering-Plough; is  
21 that correct?

22 A I can't speak if he's his right-hand man. They did work  
23 together. I don't know the nature of the relationship.

24 Q Let me ask you this, Ken Banta, a man named Robert  
25 Bertolini and Tom Koestler all at one point worked with each

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1 other and with your father; is that correct?

2 A Yes.

3 Q And you said you didn't know anything about Mr. Shkreli's  
4 track record other than what Brent Saunders told you. Did Ken  
5 Banta tell you that he had invested \$250,000 in Elea Capital?

6 MS. KASULIS: Objection.

7 THE COURT: Sustained.

8 Q Did you ever discuss Ken Banta's investment relationship  
9 with Martin Shkreli?

10 A No, I did not.

11 Q Did you know whether he had previously invested with him  
12 or not?

13 A I did not know.

14 Q Excuse me?

15 A Initially, I didn't know.

16 Q Do you know now?

17 A Well, yes, I've seen all the cap tables and things like  
18 that.

19 Q And Martin Shkreli -- you told the Government that after  
20 you spoke to Brent Saunders, he gave you Martin Shkreli's name  
21 and he told you you should look him up or he's going to call  
22 you, in words or substance; is that correct?

23 A Yes.

24 Q And I think when you were interviewed by the Government,  
25 and correct me if I am wrong, you said that Brent Saunders had

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1 recommended him in glowing terms?

2 A Yes. He said he had a very strong track record, which  
3 was also mirrored in my initial conversation with Mr. Shkreli  
4 at dinner.

5 Q We'll get to Mr. Shkreli's conversation, but before you  
6 ever meet Martin Shkreli, one of the men who you have known  
7 for a long time who also had a long employment relationship  
8 with your father told you that Martin Shkreli had a very  
9 strong track record of success and you should look to invest  
10 some money with him fair statement?

11 A Well, he said I should consider building a relationship  
12 with them that may include that, yes.

13 Q He was not speaking about a personal relationship? He  
14 was talking about a business relationship?

15 A He was referring to his success at MSMB Capital and  
16 saying that he had had a very strong track record, that he had  
17 brought him some 40 percent returns in a relatively short  
18 period of time, that he was very happy with how he was doing  
19 and he may be a very good person to learn from.

20 Q And it was as a result of the Brent Saunders's  
21 introduction that you ultimately come to actually meet Martin  
22 Shkreli, would that be a fair statement?

23 A Yes.

24 Q And at the time, you were relatively new in the business  
25 and you were looking for investment opportunities that people

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1 could recommend; correct?

2 A Frankly, I was looking just as much for the opportunity  
3 to learn from him as I was to invest, but, yes.

4 Q Because Brent Saunders, you know, characterized him as a  
5 brilliant, young healthcare guy, in words or substance; right?

6 A Yes.

7 Q Now, there then comes a time when you get an e-mail from  
8 Martin Shkreli and you were talking about having a meeting of  
9 some kind. Do you remember getting that e-mail?

10 A Yes, I do.

11 MR. BRAFMAN: Excuse me one minute, Your Honor.

12 Could we have Government Exhibit 103-2 put up on the  
13 screen, if it is already in evidence. I think it is.

14 No, I'm sorry.

15 Q When was the dinner date with Martin? I think you  
16 testified to it.

17 A I believe it was for Monday, December 13th.

18 Q Okay.

19 A 2010.

20 Q Before that, in or about December 1st, you received an  
21 e-mail from Mr. Shkreli telling you he had gotten your contact  
22 information from Brent Saunders, do you recall?

23 A Yes.

24 MR. BRAFMAN: Your Honor, I want to put this up just  
25 for the witness to see if she remembers it.

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1 THE COURT: This is 103-2?

2 MR. BRAFMAN: No, it is Defendant's Exhibit 1213.

3 It precedes the 103-2. It is a defendant's exhibit. The  
4 government has it and the Court has it.

5 THE COURT: Please let us know the number. It is  
6 Defendant's Exhibit 1213.

7 Q Ms. Hassan, you can see it, the judge can see it, the  
8 Government can see it, but we are going to try and ask you if  
9 you can identify Defendant's Exhibit DX 1213 as an e-mail  
10 chain that you and Martin Shkreli began in November at the end  
11 of 2010 and ended on December 1, 2010.

12 Do you recognize this document?

13 A Yes, I do.

14 Q Do you recognize it as the e-mail Mr. Shkreli sent to  
15 you, there is an e-mail you then sent to Mr. Shkreli at the  
16 time?

17 A Yes.

18 MR. BRAFMAN: Your Honor, I offer Defendant's  
19 Exhibit DX 1213 in evidence.

20 MS. KASULIS: Your Honor, we object.

21 THE COURT: I will have a sidebar. Mr. Brafman, you  
22 can make a proffer.

23 (Continued on the next page.)  
24  
25

Sidebar

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1 (Sidebar held outside the hearing of the jury.)

2 MS. KASULIS: Your Honor, it's hearsay. He's trying  
3 to put in a statement.

4 THE COURT: From his client, yes. Part of this is  
5 not already in evidence.

6 MS. KASULIS: No.

7 MR. BRAFMAN: Your Honor, they have been using  
8 e-mails as evidence that contain information from people that  
9 they haven't even been able to identify. This is not hearsay.  
10 This is witness' e-mail chain with Mr. Shkreli. The fact that  
11 it talks about Mr. Saunders, she has already acknowledged that  
12 it was him, so the reliability of the document isn't called  
13 into question. We gave the Government these defense exhibits.  
14 They never said that they were going to object to any of them.  
15 Why do you think I gave them to you?

16 MS. KASULIS: What we talked about was we were not  
17 objecting to them based on authenticity. We didn't talk about  
18 the fact that you gave all of your exhibits and we would never  
19 object to your exhibits.

20 This is clearly hearsay, Your Honor. We took great  
21 efforts to make sure when we were introducing exhibits there  
22 were exhibits that Mr. Shkreli was on and that they were  
23 admitted for completeness with respect to the other statements  
24 in the exhibits. This is clear hearsay. If he wants to ask  
25 her about, you know, any recollection of what's contained in

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1 these sorts of documents, he can. On its face, this is  
2 hearsay. This is the defendant's own statements he's trying  
3 to get in.

4 MR. BRAFMAN: This is Sarah Hassan telling Mr.  
5 Shkreli about Mr. Saunders, not Mr. Shkreli talking. This is  
6 Sarah Hassan talking to my client about the man who introduced  
7 her to Martin Shkreli. I don't know how that's not  
8 admissible. It completes the narrative that you started.

9 MS. KASULIS: But she's testified that she did, in  
10 fact, meet with Mr. Sanders.

11 MR. BRAFMAN: Okay, but this has specific language.

12 MS. KASULIS: You're offering it for its truth.

13 MR. BRAFMAN: That's correct. You offered it for  
14 its truth as well.

15 THE COURT: What she did was she offered your  
16 client's statements to, which she can do under the rules of  
17 evidence, an adverse party's statements or admissions can be  
18 offered by the opposing party. You're offering your client's  
19 own statements and exchanges with this witness. Why don't you  
20 just ask her the question and you can refresh her recollection.

21 MS. KASULIS: Thank you, Your Honor.

22 (Sidebar concluded.)

23 (Continued on the following page.)

24

25

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1 (In open court.)

2 THE COURT: The objection is sustained.

3 Q Do you have the document in front of you, Defendant's  
4 Exhibit 1213?

5 A Not at this moment.

6 Q I am going to put it up. It is not in evidence. I am  
7 going to ask you if you need to use it to refresh your  
8 recollection, you may use it for that purpose.

9 On November 30, 2010, did you write to Martin  
10 Shkreli?

11 A Yes.

12 Q And did you thank him for reaching out to you?

13 A Yes.

14 Q And did you thank him for reaching out to you at the  
15 advice of Brent Saunders?

16 A Yes.

17 Q And did you tell him that you were someone that you  
18 wanted to meet and perhaps go over some methods that might be  
19 usable by you for selecting stocks or balancing your --

20 MS. KASULIS: Objection, Your Honor.

21 THE COURT: Sir. Sir --

22 MR. BRAFMAN: I am asking her about her statements.

23 THE COURT: I am sustaining the objection.

24 Sir, basically, you are reading to the witness from  
25 a document that I did not admit. You may ask her questions,



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1 but don't read the document, please, or parts of it.

2 Q As a result of the correspondence, did you and Martin  
3 Shkreli agree to meet in New York?

4 A Yes.

5 Q And did you meet in New York at the Pera Restaurant?

6 A Yes.

7 Q And that was near Madison and 41st or 42nd Street?

8 A I don't recall specifically where it was.

9 Q Do you recall specifically what time it was?

10 A I think the e-mail said 6:30. 6 o'clock.

11 Q Look at Government Exhibit 103-1.

12 A I have it in front of me.

13 Q So you were going to meet him there at 6 o'clock; is that  
14 correct?

15 A Yes, that's correct.

16 Q And at this meeting, did you have a conversation with  
17 Martin Shkreli?

18 A Yes.

19 Q And how long did that dinner last?

20 A I don't recall.

21 Q How about three hours? Does that refresh your  
22 recollection?

23 A It could be accurate.

24 Q Okay. You don't know whether it was 20 minutes or three  
25 hours?

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1 A It wasn't 20 minutes. I didn't recall exactly how long  
2 it was.

3 Q But it was approximately several hours, could we agree on  
4 that?

5 A Sure. It sounds like it could be.

6 Q And among the things that happened at that dinner, Martin  
7 Shkreli told you a little bit about himself; is that correct?

8 A Can you expand?

9 Q Well, you told us on direct examination that among the  
10 things he told you is that he had worked with Jim Cramer, the  
11 MSNBC Mad Money personality?

12 A Yes.

13 Q And did you talk to him about that experience?

14 A A little bit.

15 Q And did he also tell you that he had worked at Cramer  
16 Bernstein, which is Jim Cramer's hedge fund?

17 A I believe so, but I don't recall specifically.

18 Q Did he tell you about his company?

19 A He told me about MSMB Capital.

20 Q And after the -- at the dinner, he also told you about  
21 stock that he thought you should short identified as MannKind;  
22 is that correct?

23 A I don't recall if he brought it up at dinner or it was an  
24 e-mail form.

25 Q But he did on many occasions, by e-mail and through

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1 conversations, recommend that you short MannKind; is that  
2 correct?

3 A Yes.

4 Q And he told you that Brent Saunders, who you knew, had  
5 made a fortune in MannKind, didn't he?

6 A I don't know that he referenced or linked Mr. Saunders in  
7 MannKind directly.

8 Q Did you ever talk to Brent Saunders about his investment  
9 in MannKind after Martin recommended that you do it?

10 A No, I never spoke to him about. I've only talked to Mr.  
11 Saunders about Martin when we had that first meeting at the  
12 charity where he was referencing Martin's great returns on  
13 MSMB Capital.

14 Q And you never spoke to Mr. Saunders again after that  
15 about Martin Shkreli?

16 A I don't believe so.

17 Q And how often do you see Brent Saunders?

18 A Once a year.

19 Q That's it, at the conference?

20 A Correct. I'm sorry, at the charity event. I see him at  
21 the same event every year.

22 Q Do you also see him at the pharmaceutical conference, the  
23 JP Morgan conference?

24 A I don't go out to that. (Continued on following page.)  
25

1 (Continuing)

2 BY MR. BRAFMAN:

3 Q But you know that he and your father go.

4 A I know my dad goes out there.

5 Q Did you have an e-mail exchange with Martin Shkreli in or  
6 about January 12, if you recall, about Mannkind?

7 A At some point, we did have an exchange, yes.

8 Q So, I'm going to put up on here what I've marked as  
9 Defense Exhibit, DX-12 --

10 A Wait. That's not my e-mail. I don't know this  
11 particular e-mail. Sorry, I'm not familiar with this e-mail.

12 Q Okay. Did you have a e-mail conversation with Martin  
13 Shkreli in or about Christmas of 2010?

14 A Can you please expand? I don't recall specific dates of  
15 when we had all of our conversations.

16 Q Okay. In or about December 25, 26, 27, did you and  
17 Martin Shkreli have a series of e-mail exchanges?

18 A Can you give me something to refer to?

19 Q About MannKind?

20 A I don't recall specifically.

21 Q Did you ever ask Martin Shkreli also about your idea to  
22 invest in CADX, Cadence Pharmaceuticals?

23 A I believe so.

24 Q I'm going to put up on here Defendant's 1215. If you  
25 could look and that and tell me if it refreshes your

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1 recollection about a conversation in or about --

2 MS. KASULIS: Objection, your Honor.

3 THE COURT: Sustained.

4 Q Did you ever short MannKind?

5 A Not personally.

6 Q What do you mean by "not personally"?

7 A I believe that Martin shorted MannKind through MSMB  
8 Capital, which I was invested in. But I thought that if he  
9 made that execution, that that was enough exposure and I  
10 didn't need to do it myself.

11 Q Do you know how much money Martin netted on MannKind?

12 A No, I do not.

13 Q Do you know how much MSMB netted on MannKind?

14 A No, I do not.

15 Q Do you know what a short sale is?

16 A Yes, again, I'm assuming he did it mostly through option.

17 Q Well, do you know whether Martin in his recommendation to  
18 you recommended that you short MannKind?

19 A He did make a recommendation that I short MannKind, but I  
20 don't have the physical ability to do that. I don't trade in  
21 options and I don't do shorts.

22 Q I understand. But do you sit next to a machine that  
23 would allow you to check the ticker and see what MannKind was  
24 trading at?

25 A Yes.

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1 Q And did you notice that after Martin recommended that you  
2 short MannKind it went from \$8 to \$2?

3 A I didn't track it.

4 Q Did you ever track Retrophin in all the time you and  
5 Martin talked about Retrophin?

6 A Yes.

7 Q Did you see the spread that Retrophin traveled from the  
8 day it became public until other points when it was up to as  
9 much as \$20, \$30 a share?

10 A Yes, I saw the ups and downs, yeah.

11 Q Do you know what the value of Retrophin is today?

12 A I don't know.

13 Q You don't know at all?

14 A I don't know. I was also told not to look it up anywhere  
15 close to the trial, with the advice of my attorney. So, I  
16 haven't been following it.

17 Q Did you look it up when the you got the shares?

18 A When I got the share, the valuation was closer to \$5.

19 Q And when you sold it?

20 A When I sold it I think two years later, it was worth  
21 about 19.

22 Q \$19?

23 A Yes.

24 Q So it traveled up between the time you got the stock and  
25 the time you sold it.

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1 A Yes, two years later I sold it around 19.

2 Q 58,000 shares?

3 A Yes.

4 Q Now, let's talk about what a hedge fund is. A hedge fund  
5 is essentially what you are running in Dynagrow, isn't it?

6 A It could be. We do run a family hedge fund, but many of  
7 them operate in different ways.

8 Q And a hedge fund is not having like a bank account, it's  
9 run by a general partner, correct?

10 A Yes.

11 Q And the general partner has the discretion to do what he  
12 or she thinks is in the best interest of the fund, correct?

13 A Yes.

14 Q The general partner doesn't have to call you and say I  
15 want to buy ten shares of Google before he or she does it,  
16 right?

17 A No.

18 Q And the hedge fund has certain rules that you agree to  
19 abide by when you become a limited partner, right?

20 A Yes.

21 Q And, in fact, you can't invest in a hedge fund unless you  
22 sign either a subscription agreement or you receive a private  
23 placement memorandum; is that correct?

24 A Yes.

25 Q And I think what you told the Government was that at some

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1 point when you got the private placement memorandum for MSMB  
2 Capital, you went through it with your own lawyer.

3 A Yes.

4 Q And you were looking for red flags; is that correct?

5 A Yes.

6 Q And a red flag is sort of like a warning sign, like  
7 danger, don't invest, right?

8 A Yes.

9 Q And who was your lawyer who you went through this with?

10 A My attorney's name is Andrew Levy.

11 Q And where is he based or was he based at the time?

12 A South Florida.

13 Q And do you still use him as a lawyer?

14 A Yes.

15 Q And he and you went through and it was only after you  
16 went through it that you agreed to participate, correct?

17 A Yes.

18 MR. BRAFMAN: Now, I want to, if we can, put up  
19 Government Exhibit 5, which is the private placement  
20 memorandum.

21 Q Do you have the book? Look at the screen. We'll do it  
22 that way.

23 THE COURT: Are you asking the Government to put it  
24 up?

25 MR. BRAFMAN: Yes. It's a Government exhibit. I'd



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1 like Government Exhibit 5 to be on the screen.

2 MS. KASULIS: Your Honor, for the record, I believe  
3 it is in evidence.

4 THE COURT: Yes. I wasn't sure if he was asking the  
5 Government's paralegal to put it up.

6 THE PARALEGAL: Ms. Jackson would have to change...

7 THE COURTROOM DEPUTY: It's on prosecution.

8 THE COURT: It's up now.

9 MR. BRAFMAN: Can we make it just a little bit  
10 larger type? Thank you.

11 Q This is the private placement memorandum you got before  
12 you agreed to participate as an investor many MSMB, correct  
13 Ms. Hassan?

14 A It looks like it, yes.

15 Q That's what Ms. Kasulis showed you on direct examination  
16 and you positively identified it as the document. This is the  
17 document, isn't it?

18 A Yes. I'm just looking at one page, but I'm assuming the  
19 rest is the same, yes.

20 MR. BRAFMAN: If we could go to the second page  
21 after the front page and bring it up a little bigger so people  
22 can read it. And I want to focus on the second paragraph.

23 Q Do you have that in front of you?

24 A Yes, I do.

25 Q I want to start from halfway through that, where it says

1 the partnership positions; do you see that, the partnership  
2 positions?

3 A Yes.

4 Q I'm going to read it and then I'm going to ask you some  
5 question.

6 The partnership positions are anticipated to consist  
7 of a number of long positions which the advisor believes have  
8 the potential to experience significant price appreciation and  
9 short positions which the advisor believes have the potential  
10 to experience significant price declines. The portfolio  
11 manager believes that the combination of its research and  
12 analysis, along with its strategy to invest in equities and  
13 other investments on a global basis, will provide the  
14 partnership with an advantage over other investment vehicles  
15 that focus solely on the U.S. market.

16 Did I read that correctly?

17 A Yes.

18 Q When you read this, you, as someone with a master's  
19 degree in finance and running a fund, understood that to mean  
20 that what you were investing in is essentially what the  
21 advisor felt would be appropriate at the time he or she makes  
22 the investment, correct?

23 A Yes, I trusted the advisor, yes.

24 Q And the advisor in this case is Martin Shkreli.

25 A Yes.

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1 MR. BRAFMAN: If we do move further down that page  
2 to the bold language and if we could highlight that, please?

3 Q Do you have that before you, Ms. Hassan?

4 A Yes.

5 Q It tells you in bold language an investment in the  
6 partnership will involve significant risk. There is no  
7 insurance that the partnership will achieve its investment  
8 objective or be profitable. See risk factors.

9 Did you read that before you invested.

10 A Yes, I did.

11 Q So, you understood that there was a possibility that you  
12 are \$300,000 could go down the drain even if everybody did  
13 everything appropriately, right?

14 A I did.

15 It wasn't until later on that it became an issue.

16 Q When you signed up, you believed that you had this  
17 \$300,000 at risk; is that correct?

18 A Yes.

19 And later on, I thought my investment had  
20 appreciated to \$450,000.

21 Q Well, you got a million eight, so we'll talk about that  
22 later. But when you invested, you thought --

23 MS. KASULIS: Objection.

24 THE COURT: Sir, don't argue with the witness like  
25 that.

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1 MR. BRAFMAN: The witness was arguing with me, your  
2 Honor. I asked an easy question.

3 THE COURT: Sir, no, we can't have that kind of  
4 treatment of witnesses.

5 Q Ms. Hassan, when you invested your \$300,000 on the day  
6 you and Mr. Levy went through this, you knew that this was a  
7 risky investment.

8 A All investments have some level of risk, yes.

9 Q And all investments on the stock market are subject to  
10 the vagaries of the stock market; is that correct?

11 A Yes. But generally speaking, there are also certain  
12 protections, I think, even in an e-mail exchange. Mr. Shkreli  
13 mentioned that he typically doesn't go beyond 5 percent in  
14 terms of any one investment making up the portfolio.

15 So, again, you do assume there's risk where you  
16 could lose everything, but, generally speaking, you invest in  
17 a portfolio of some sort so even if you're not -- even if you  
18 expect losses, you don't expect to loss it all.

19 Q Just to be clear, you didn't lose anything.

20 A No. For a period it certainly seemed like it was very  
21 possible, but at the end I agree, I didn't.

22 Q Lose anything.

23 A I didn't lose it at the end. I ended up with a  
24 settlement agreement.

25 Q And a lot of money.

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1 A I did end up making money, yes. So, I was very excited  
2 that I didn't lose it.

3 Q Now, if you turn over to the next page --

4 MR. BRAFMAN: The top paragraph -- that's it.

5 Q It also tells you, and I'll read it out loud: This  
6 memorandum has not been filed with or reviewed by the  
7 Securities & Exchange Commission or any state securities  
8 commission. Neither the Securities & Exchange Commission or  
9 any state or federal governmental agency has passed upon the  
10 accuracy or adequacy of this memorandum or endorsed the merits  
11 of this offering. Any representation to the contrary is  
12 unlawful.

13 Did you read that with Mr. Levy before you signed?

14 A Yes, we reviewed the entire document.

15 Q And you understood that there was no governmental  
16 oversight of any kind watching this investment at that date;  
17 is that correct?

18 A Yes.

19 Q And no government agency had approved this memorandum or  
20 would recommend it from a government perspective; is that  
21 correct?

22 A That's true, but I still believed --

23 Q I'm asking you yes or no, is that true?

24 A Sorry, could you repeat the question?

25 Q You understood from reading that that no government

1 agency had approved this document or was going to review this  
2 document; correct?

3 A Yes, but I feel like that requires some further  
4 explanation.

5 Q When Ms. Kasulis wants you to you do that, she'll have  
6 that opportunity, okay?

7 A I was just explaining for myself, though. I do think  
8 it's a little confusing.

9 Q So, why don't you explain?

10 A The way you're stating that, that doesn't make the entire  
11 agreement not binding. There's still other things that have  
12 to be upheld too, but, yes, I do agree that it was made clear  
13 this was not being regularly watched by the SEC.

14 Q Now, do you know, who was the general partner in this  
15 investment vehicle?

16 A Mr. Shkreli.

17 Q And you were you a limited partner; is that correct?

18 A Yes, that's correct.

19 MR. BRAFMAN: And if we look at the next  
20 paragraph -- no, it's the next one down, "this memorandum."

21 Q Now, are you on page iii?

22 A I'm on page ii.

23 Q Next one, sorry.

24 A Oh, sorry.

25 Q This first big paragraph. Starting from where it says:

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1 All investment performance is inherently subject to  
2 significant uncertainties and contingencies, many of which are  
3 beyond the control of the general partner. Any significant  
4 change therein can materially affect the future results.  
5 Accordingly, there can be no assurance that the partnership's  
6 investment objectives will be achieved or that the partnership  
7 will not incur losses.

8 Did I read that correctly?

9 A Yes.

10 Q And Martin Shkreli was the general partner; is that  
11 correct?

12 A Yes.

13 MR. BRAFMAN: Now, if we can turn to Page 1, regular  
14 number one.

15 Q Before we get to the document, I'm just going to ask you  
16 a couple of questions. You knew that in this private  
17 placement memorandum, anyone who wanted to invest needed to  
18 meet certain personal criteria, correct?

19 A Yes.

20 Q That this was not something that was available or open to  
21 the general investing public, correct.

22 A Yes.

23 Q And that it was basically opened to only people who were  
24 financially sound?

25 A Yes.

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1 Q And were able to verify that they had a net worth of at  
2 least \$1 million, correct?

3 A Yes.

4 Q And they had -- and if you look at Page 1, it basically  
5 says that you have to qualify as an investor, correct?

6 A Yes.

7 Q And later, right below it, it says that there's a minimum  
8 initial investment of \$1 million; is that correct?

9 A Yes.

10 Q And Martin Shkreli waived that minimum requirement for  
11 you so that you could become an investor, correct?

12 A Well, it's states that it has to be a minimum of  
13 \$1 million, but somewhere it did state unless the GP decides  
14 otherwise.

15 Q Right. And he did that. He decided otherwise and  
16 allowed you to invest below the minimum investment number,  
17 correct?

18 A Yes. He actually stated in e-mail to me that the minimum  
19 was \$250,000.

20 Q And you wanted to show him your enthusiasm so you sent  
21 \$300,000.

22 A Yes.

23 Q So, you sent an extra \$50,000 not because Mr. Shkreli  
24 requested it, but because you wanted to impress him with your  
25 enthusiasm and the fact that you had money to spend, right?



1 A No.

2 Q You wanted him to be happy with you as a client?

3 A No. I certainly didn't want to show him that I was  
4 looking to just do the bare minimum, but I was also making an  
5 investment. Again, both Mr. Saunders and Mr. Shkreli himself  
6 had told me that they had really phenomenal returns. So, this  
7 was also from an investment perspective, I thought it was  
8 going to be a good investment.

9 Q An investment advisor, portfolio manager, if you look at  
10 the bottom of the page?

11 MR. BRAFMAN: If you can blow that up, please.

12 Q It reads: MSMB Capital Management, LLC, a Delaware  
13 Limited Liability Company, and an affiliate of the general  
14 partner, the advisor, and collectively with the general  
15 partner, MSMB will serve as an investment advisor of the  
16 partnership and will have full discretionary authority --

17 MR. BRAFMAN: If we can week go to the next page  
18 please.

19 Q -- full discretionary authority, responsibility, and  
20 responsibility to invest the assets of the partnership.  
21 Mr. Shkreli, the founder and managing member of the advisor,  
22 will serve as the portfolio manager of the partnership on  
23 behalf of the advisor, and, as such, will be the individual  
24 primarily responsible for investing the assets of the  
25 partnership.

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1 Correct?

2 A Yes.

3 Q And you what you were signing up for was essentially an  
4 investment where you did not have any real -- necessarily any  
5 real input or control, correct?

6 A Yes.

7 Q They weren't going to call you to tell you what they  
8 chose to invest in, you just assumed that they were going to  
9 act in good faith, correct?

10 A Yes, I trusted Mr. Shkreli.

11 Q Now, you also knew that the partnership was going to  
12 invest in both long and short positions; is that correct?

13 A Yes.

14 Q And the memorandum explained that the risk of investing  
15 in short positions was sometimes substantially more than the  
16 risk of investing in long positions; do you remember that?

17 A Yes.

18 Q Now, did you have an understanding that you could take  
19 your money out whenever you wanted to?

20 A I had the understanding that if I wanted to, I could  
21 submit a request. And in about a 30-day or month period, that  
22 that can be granted back to me.

23 And I know there's some language around, you know,  
24 if there's necessary funds that have to maintain -- be  
25 maintained in the fund or can't being liquidated, there can be

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1 circumstances. But generally speaking, I could have 30-days  
2 notice for recall of it.

3 Q But you also know that according to the terms of the  
4 memorandum, the general partner could suspend redemptions,  
5 period, if he thought it was in the best interest of the fund.

6 Didn't you signed up for that as well?

7 A If it's in the PPM. I believe it is.

8 Q Look at Page 4.

9 MR. BRAFMAN: If we may have Page 4, please.  
10 Capital withdrawals, if you could highlight that section,  
11 please.

12 Q The last two sentences of that paragraph reading capital  
13 withdrawals reads: The general partner will have the right to  
14 suspend redemptions under certain circumstances. The general  
15 partner may withdraw any portion of its capital act without  
16 prior notice to the limited partners.

17 Did you agree to those terms when you signed?

18 A Yes.

19 Q Did your lawyer tell you that it might be not possible to  
20 get your money when you wanted it, based on that paragraph?

21 MS. KASULIS: Objection, your Honor. It's asking  
22 for --

23 THE COURT: Sustained.

24 Q Now, you indicated that at some point, Mr. Shkreli sent  
25 you securities in either Desert Gateway or Retrophin that were

1 marked restricted, right?

2 A Yes.

3 Q And just so the jury is clear, when a security  
4 certificate says "restricted," you can't sell it in a  
5 brokerage account until that legend is removed, correct?

6 A Yes.

7 Q And sometimes when a new company opens or a new IPO  
8 begins, the shares that they give out are restricted. You're  
9 familiar with that; are you not?

10 A Yes.

11 Q And in this case, some of the stock certificates you got  
12 initially had the word "restricted" on it. I think you've  
13 said that already, right?

14 A Yes.

15 Q But, ultimately, you were able to sell those securities  
16 and have the legends removed, correct.

17 A Yeah, some time later, yes.

18 Q Now, in this memorandum where --

19 MR. BRAFMAN: If we can go to Page 7, if we go to  
20 the bottom of that page and highlight the start of the last  
21 paragraph, and then we'll go over the bottom, the last  
22 paragraph, and then we'll go over to the next period.

23 Q It actually refers specifically to restricted securities;  
24 do you see it?

25 A Yes.

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1 Q It says: The partnership may invest in so-called  
2 restricted securities, i.e., meaning securities as to which  
3 the public resale is currently restricted under the Securities  
4 Act of 1933 --

5 And it continues over on top?

6 A Yes.

7 Q -- amended the Securities Act and which are not  
8 immediately convertible into freely tradable securities, the  
9 portfolio manager intends to purchase restricted securities  
10 where pricing and growth characteristic justify the limited  
11 liquidity and which provides the means of achieving eventual  
12 marketability, such as registration rights under the  
13 Securities Act or the right to convert into marketable  
14 securities. The partnership's overall investments in  
15 restricted securities will be limited, however, to a maximum  
16 of 10 percent in terms of their cost at time of purchase of  
17 current market value of partnership assets.

18 Now, when you read this before you signed, did you  
19 understand that you could get part of your money invested in  
20 restricted securities?

21 A Yes, a piece, yes.

22 Q And you understood that the general partner had that  
23 right, right?

24 A Yes.

25 Q And you knew from someone who's familiar with hedge funds

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1 that if your money was restricted in part in restricted  
2 securities, it might not be liquefiable; is that correct?

3 A Yes. The only reason I presumed my money was liquid was  
4 because I was told so but not because of --

5 Q We'll get to that.

6 A -- conflicting information.

7 Q But the information you were given got before you signed  
8 clearly told you you could lose all of your money and part of  
9 your money could be invested in restricted securities,  
10 correct?

11 A It did have those disclaimers, yes.

12 Q What is a disclaimer? A disclaimer is a legal statement  
13 that allows you to do something --

14 THE COURT: Sustained.

15 Q What do you understand the word to mean?

16 A It's a qualifier just to let someone know that something  
17 may or may not take place or there may or may not be something  
18 there. It's to let someone know about a certain piece of  
19 information.

20 Q To alert the investor?

21 A Yes.

22 MR. BRAFMAN: We can go to Page 9, bottom of Page 9,  
23 last paragraph, please.

24 Q Notwithstanding the above risk management practices, the  
25 partnership's investment strategy inherently involves certain

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1 significant risks. See risk factors below. Moreover, there  
2 can be no assurance that the above practices will necessarily  
3 be applied in all cases or if applied will successfully limit  
4 risk to acceptable levels.

5 Do you see that?

6 A Yes.

7 Q So, you understood when you signed up that there were  
8 some risks that could not be foreseen and that the  
9 partnership's investment strategy inherently involves certain  
10 significant risks, yes?

11 A Yes.

12 Q Did you ask Mr. Shkreli what the significant risks are  
13 before you signed this document and sent \$300,000 in?

14 A Not above and beyond -- I mean, there's risk in literally  
15 every investment.

16 Q But you signed this, you sent the money in, and you  
17 didn't either ask your personal lawyer or Mr. Shkreli to  
18 explain what this sentence meant; would that be a correct  
19 statement?

20 A No, I did review this with my attorney.

21 Q Yes. And he did not stop you from investing despite that  
22 paragraph, correct?

23 A No.

24 Q So, both you and he understood what you were doing.

25 A Yes.

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1 Q Now, you said -- I think you told the Government that one  
2 of the things you wanted to do before you invested was look  
3 for red flags; is that correct?

4 A Yes.

5 Q And a red flag is a warning sign that essentially says  
6 wait, slow down, this may not be the smart thing or this may  
7 not be a good thing for you; is that a red flag?

8 A Yes.

9 And just to be clear, it wasn't the Government, it  
10 was in our conversation today.

11 Q Okay. You never told the Government that you were  
12 looking important red flags?

13 A Just that I was reviewing it to make sure everything  
14 looked okay, but I don't believe I said red flags.

15 Q Do you remember meeting with the Government January 28,  
16 2016?

17 A Yes, I don't recall the specific date. It is possible.

18 Q Do you remember when you met with the Government that  
19 there were also a couple of agents in the room?

20 A Yes.

21 Q One of the agents is present in the courtroom today.

22 A I believe so.

23 Q I'm going to give you what's marked for identification  
24 only as 3500SH-1. Hold it for a minute, and when I get back  
25 to the podium ill refer you to a specific place. It's not in



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1 evidence.

2 A Thank you.

3 Q I want you to look at the second page of this document  
4 and tell me -- read it to yourself, the last paragraph, and  
5 tell me whether or not it refreshes your recollection that you  
6 had your attorney -- that you told the Government that you had  
7 your attorney help you go through the document for MSMB  
8 Capital investment prior to investing to see if there were any  
9 red flags.

10 Did you tell the Government that?

11 A This is, again, I think someone's recollection of the  
12 conversation I had had. I'm here today just to share my  
13 experience, my knowledge, to the best of my ability, but this  
14 is someone else's language.

15 Q So, you never said "red flags," you don't think you ever  
16 used those words.

17 A I don't believe I used those words.

18 Q You're not denying you said them, you just don't  
19 remember.

20 A I don't recall.

21 Q Look at Page 10, if we can, of the private placement  
22 memorandum?

23 MR. BRAFMAN: In the same exhibit, Exhibit 5, Page  
24 10.

25 (Exhibit published to the jury.)

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1 MR. BRAFMAN: Can you highlight the paragraph right  
2 under the bold risk factor section, please?

3 Q I'll read it and then ask you a question, Ms. Hassan.

4 All securities investments risk the loss of capital.  
5 There can be no assurance that the partnership will be  
6 profitable or that it will not incur losses. Prospective  
7 investors should, among other matters, consider the risks  
8 summarized below before investing in the partnership. An  
9 investment in the partnership is speculative, involves a high  
10 degree of risk, and is suitable only for persons who are  
11 willing and able to assume the risk of losing their entire  
12 investment.

13 Did I read that correctly?

14 A Yes.

15 Q And now below that, they have a paragraph that refers to  
16 the portfolio manager's track record. I think you said that  
17 you were interested in what kind of success he had; is that  
18 correct?

19 A Yes.

20 MR. BRAFMAN: If we could put that paragraph up,  
21 lack of operating history. It's on Page 10.

22 Q Lack of operating history. Experience of portfolio  
23 manager.

24 You told us that Brent Saunders told you that  
25 Mr. Shkreli had a substantially profitable good track record,

1 correct?

2 A Yes.

3 Q And this entity, MSMB Capital, had no operating history  
4 at all; you understood that?

5 A I didn't put that together.

6 Q Let's read it: The partnership is a newly-formed  
7 enterprise and will have no operating history upon which basis  
8 potential investors may evaluate its performance.

9 When you read that now to yourself, doesn't it tell  
10 you that MSMB Capital has no prior history of performance?

11 A That's what it says, but there's also -- I mean,  
12 frankly --

13 Q Is that what it says?

14 A It could have also been an older format for the document.  
15 He never specifically stated this was a new fund. He was  
16 telling me about his track record of success and to invest in  
17 the fund that was successful. I would hope that one would  
18 explain that I was not investing in that fund.

19 Q This is what you're investing in. This is what you  
20 reviewed with your lawyer and signed. It's this fund, isn't  
21 it?

22 A Yes, but this is also a little bit conflicting to what I  
23 was told.

24 Q But you read this before you paid any money.

25 A Yes, I did. I also --

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1 Q Okay.

2 A -- prior to that.

3 Q And after, going down to the word "any": Any past  
4 success with Mr. Shkreli's investments or investment strategy  
5 should not be construed as indicative of the future results of  
6 the partnership. There is no historical performance for the  
7 partnership upon which a prospective investor could base its  
8 investment decision. As such, the partnership is a risky  
9 investment and investors could lose all or substantially all  
10 of their investment.

11 You read that before you put your money down,  
12 correct?

13 A Yes. And it's fairly typical language in almost all  
14 PPM's that are signed.

15 Q So, why did you go through it with your lawyer if it's  
16 typical language?

17 A Just to see if there was anything that really stood out.

18 This is language that I've seen in almost every PPM  
19 I've ever been engaged with.

20 Q Because that's the rules of the game, right? You could  
21 lose all your money, it's a high risk investment. Put your  
22 money down and if you lose, you lose; if you win, you win.

23 Is that correct?

24 A Yes, all investments have some level of risk.

25 Q Now, if we could look down to the lower portion of the

1 page to alternative investing generally.

2 MR. BRAFMAN: Alternative investing generally.

3 Q The partnership is designed for investors seeking  
4 potential long-term growth for alternative investments who do  
5 not require regular current income and who can accept a high  
6 degree of risk in their investments.

7 Let me stop there. What do you understand the word  
8 "alternative investments" to mean?

9 A Nontraditional equities, that doesn't necessarily have to  
10 be traditional stock equities of some sort.

11 Q Could it be investing in an IPO?

12 A Hypothetically.

13 Q Could it be investing in a private company?

14 A Hypothetically, yes.

15 Q Could it be investing in a building?

16 A Yes.

17 Q So, when you're putting down your money based on what  
18 you're reading, it says, continuing: In view of, among other  
19 things, the partnership's ability to invest in a wide range of  
20 securities and instruments and use a broad variety of  
21 investment techniques, the partnership may be deemed  
22 speculative in nature and is not intended to be a  
23 comprehensive investment program. The partnership is intended  
24 for investments solely by sophisticated investors who are  
25 accustomed to and fully understand the risk of such

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1 investments.

2 Did you consider yourself to be a sophisticated  
3 investor?

4 A I considered myself to understand these investments.

5 Q And you have a master's in finance, right?

6 A Yes, I do.

7 Q And you were operating the family hedge fund at the time  
8 you made this decision.

9 A Yes.

10 Q So, you're not just a plain person with no formal  
11 education and no experience in these matters, correct?

12 A No, I had some level of education and experience.

13 Q And you could certainly read the risk factors, correct?

14 A Yes.

15 MR. BRAFMAN: Now, if we could go to Page 16 in the  
16 book, please.

17 Q You understand how the general partner was permitted  
18 under the terms of this agreement to value the investments in  
19 your account?

20 A Can you be a little more specific?

21 Q Let's read it and then I'll discuss it with you.

22 If we look at the bottom of Page 16, it explains  
23 quite clearly, the last paragraph, valuations.

24 Valuations and other matters. The general partner  
25 will be responsible for a variety of important matters

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1 affecting the partnership. Among other matters, the general  
2 partner will determine the --

3 MR. BRAFMAN: Please turn the page. Thank you.

4 Q -- value of the securities held by the partnership.

5 Did you understand that Martin Shkreli could  
6 determine the value of securities that perhaps as restricted  
7 securities you couldn't value by just going and looking up the  
8 ticker?

9 A Yes, but I also trusted the audit process to verify that.

10 Q Let's continue: Furthermore, in the event the general  
11 partner provided with or otherwise comes into possession of  
12 information which leads the general partner to determine that  
13 one or more valuations of the partnership's assets for a  
14 period are inaccurate, the general partner will have the  
15 authority to adjust or amend such prior valuations as the  
16 general partner deems appropriate and to adjust or amend any  
17 reports or statements of the partnership, whether or not  
18 previously issued, with respect to such prior periods.

19 You were providing a substantial amount of  
20 discretion to the general partner when you signed up for this,  
21 weren't you?

22 A Yes.

23

24 (Continued on next page.)

25

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1 EXAMINATION CONTINUING

2 BY MR. BRAFMAN:

3 Q Now, if you look at Page 18, please. If we look at  
4 information, the third paragraph from the bottom. Right there  
5 (indicating). It reads as follows:

6 Information provided by the portfolio manager,  
7 factual information contained in this memorandum including,  
8 without limitation, intended investment strategy and policies,  
9 performance or financial data, if any, and biographical and  
10 certain other information has been furnished largely by the  
11 portfolio manager and in general has not been independently  
12 confirmed or verified. Therefore, limited partners should  
13 seek to confirm such information, seek additional information  
14 or conduct further investigation as they deem appropriate in  
15 connection with a decision to invest in the partnership.

16 Did you do any independent investigation of any of  
17 the facts laid out in this memorandum?

18 A I didn't have an independent investigator.

19 Q And did you discuss this with your lawyer as to whether  
20 you should get an independent accountant or investigator to  
21 check the facts in this memorandum?

22 A I -- he didn't recommend it.

23 Q Now, when you talk about the responsibility of the  
24 general partner to act in good faith, you are agreeing to,  
25 essentially, hold him harmless if at the end of the day he

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1 loses your money, aren't you?

2 A I don't know if that's always the case.

3 Q Well, let's see the bottom of page 21. Exculpation,  
4 right?

5 MR. BRAFMAN: If you could blow that up, please,  
6 exculpation and the paragraph under it.

7 Q Can you tell me what to your understanding the word  
8 exculpation means?

9 A I'm not familiar on how to define that word.

10 Q Okay, well, what do you understand this heading to tell  
11 you, that the general partner may not be held legally  
12 responsible under certain circumstances?

13 A Can I take the time to read it?

14 Q Sure.

15 (Pause.)

16 A Yes, unless there's something like gross negligence,  
17 willful misconduct or a willful breach of the partnership,  
18 then yes.

19 Q So the general partner and the advisor as fiduciaries  
20 will have a responsibility to the limited partners to exercise  
21 good faith and fairness in all dealings affecting the  
22 partnership; however, the partnership has agreed in the  
23 partnership agreement to indemnify and exculpate the general  
24 partner, the advisor, and their respective members, managers,  
25 employees and agents, including without limitation, the

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1 portfolio manager, from any liability or losses, damages or  
2 expenses resulting from the respective status as general  
3 partner and advisor or their acts of omissions, and then you  
4 can read and continue absent gross negligence or willful  
5 misconduct.

6 Do you see that?

7 A Yes.

8 Q All right, now, when you invested in MSMB and if Martin  
9 Shkreli as the advisor used his discretion to invest in a  
10 short sale that went very bad and you lost all of your money,  
11 is it your understanding that he could have walked away from  
12 it and just said, I'm sorry, Sarah, I lost all your money?

13 A I don't know if that would have been categorized as one  
14 of the things in here such as gross negligence or some kind of  
15 misconduct; I don't know.

16 Q Well, the memo tells you you are going to be investing in  
17 short sales and long sales, correct?

18 A It tells me I'll be investing in both and that there will  
19 be some kind of mix.

20 Q But when you invest in a short sale you know you can lose  
21 all your money really fast if the stock doesn't go down  
22 because then you have to cover the short sale, right?

23 A Yes.

24 Q And you can lose millions of dollars in ten minutes if  
25 you're a big gambler in the market, isn't that correct?

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1 A Yes.

2 Q And in this case if you understand, correct me if I'm  
3 wrong, what happened was there was a OREX trade, O-R-E-X trade  
4 early on and when you look back that's what cost MSMB a lot of  
5 its capital, correct?

6 MS. KASULIS: Objection, Your Honor.

7 A I'm actually not familiar.

8 Q You never asked how this happened after all these years?

9 A I did not know.

10 Q Okay, so let's move on from there.

11 At the end of the day, did you have any right, to  
12 your knowledge, to get 58,000 shares of Retrophin when the  
13 last evaluation you got suggested that your account was worth  
14 \$425,000?

15 A I was actually disappointed when I got those shares. At  
16 the time when I did the calculation on them they were worth a  
17 little less than \$300,000.

18 Q But they were also restricted?

19 A They were restricted, and they were less than -- worth  
20 less than \$300,000 and I thought that my account had grown to  
21 be worth about 435.

22 Q Okay. But you also eventually got back your 400,000 in  
23 cash, right?

24 A Yes, and that's how we came to that because I was, you  
25 know, still disappointed with the outcome and eventually we

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1 landed there.

2 Q So, ultimately, whatever demands you made were met by  
3 Mr. Shkreli, it just took some time?

4 A Well, ultimately, we came to an agreement on the  
5 settlement.

6 Q And he paid the 400, he gave you the 58,000 in Retrophin  
7 shares, which you sold for more than a million dollars,  
8 collectively?

9 MS. KASULIS: Objection.

10 THE COURT: Overruled.

11 BY MR. BRAFMAN:

12 Q You may answer.

13 A Yes.

14 Q Now, do you know what it means when a security has a  
15 limited market?

16 A Can you please explain?

17 Q Yes. There are securities that you can buy on the stock  
18 exchange, that anyone can buy, big public companies, correct,  
19 you're familiar with stocks like that, like Amazon and Google  
20 and Facebook, right?

21 A Yes.

22 Q You call up your broker and you say, Buy me a thousand  
23 shares; they execute the trade, you have a thousand shares and  
24 you pay the price it's trading at at the time of the trade,  
25 right?

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1 A Yes.

2 Q And when you sell it, you get the amount of money that is  
3 valued on the date of the sale, right?

4 A Yes.

5 Q And when you have a private company that's not public,  
6 how do you -- how do you trade those securities, if you know?

7 A It's much more limited to do so.

8 Q And it's much more limited because not everybody wants to  
9 invest in a startup or a private company, even if one day it  
10 becomes a homerun, right?

11 A Yes.

12 Q And in this case when you got the Retrophin shares, they  
13 were not tradable?

14 A No, they were not.

15 Q And even if you wanted to sell them for 3 or \$4 a share,  
16 you couldn't sell them, right?

17 A That's correct.

18 Q But the best thing that happened to you financially was  
19 the fact that you couldn't sell them because when you did sell  
20 them, they were at \$19 a share, right?

21 A I did become lucky with where the share price ended. It  
22 could have become zero, and it did ultimately become 19.

23 Q Right, and who do you recognize as the brains behind  
24 Retrophin, anybody but Martin Shkreli?

25 A I'm not personally familiar with the Retrophin executive

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1 team.

2 Q No, but he made a presentation to you about Retrophin,  
3 we'll get to it in a minute. He made a presentation, right?

4 A Several years prior, yes.

5 Q And he made the presentation explaining the science he  
6 was developing?

7 A Yes.

8 Q And you know that it involved research and doing genetic  
9 coding for myotubular dystrophy, which is a form of muscular  
10 dystrophy?

11 A Yes.

12 Q And you know that, ultimately, Martin figured this out  
13 and it became a very successful company, isn't that correct?

14 A My understanding is that it did eventually grow, yes.

15 Q Now, in addition to the memorandum, there is also a  
16 subscription that you signed and participated in, right?

17 A Yes.

18 Q And the subscription agreement is all part of Exhibit 5,  
19 which the Government put into evidence. If we could move  
20 to -- I'm sorry, page 45 still of the memorandum.

21 A Sorry, where would you like me to turn?

22 Q I'm sorry. I would like them to put up page 45 of the  
23 private placement memo.

24 (Exhibit published.)

25 BY MR. BRAFMAN:

S. Hassan - cross - Brafman

1114

1 Q Without reading it again, would it be a fair statement if  
2 you looked throughout this memo that on various places, both  
3 at the beginning, the middle and right here towards the end,  
4 they tell you, again, to be careful of the risk factors?

5 A Where specifically would you like me to look?

6 Q I'm sorry, page 45, the last big paragraph. It starts  
7 with: An investment in the partnership interest will involve  
8 a significant degree of risk and is suitable only for persons  
9 having substantial financial resources.

10 They tell you that in several different places in  
11 the memo, correct?

12 A Yes, it's very typical of a PPM.

13 Q But it tells you that, whether it's typical or not, you  
14 are warned that this is a very risky investment, right?

15 A Yes, there's some level of risk in all investments.

16 Q But this is a particularly risky, there is some level of  
17 risk if you buy a stock and it drops you lose money; but this  
18 is a brand new offering memorandum for a company that has no  
19 track record, which it tells you in black and white, is that  
20 correct?

21 A Well, usually, I think there's a little bit less -- less  
22 risk in a hedge fund than there is in individual stock. One  
23 stock can have one bad piece of news that wipes it out  
24 tomorrow. Usually a hedge fund has a portfolio where it's a  
25 little more balanced, but yes, I do agree, there is still a

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S. Hassan - cross - Brafman

1115

1 level of risk.

2 Q If we could look at the subscription agreement, please,  
3 which is Exhibit B. I'm sorry, never mind. If you could look  
4 at Government Exhibit 1035 -- 103-5.

5 Now, before we do that, if we could go to the  
6 settlement agreement that the Government put into evidence,  
7 which you ultimately get. Do you have that in front of you?

8 A No, I do not.

9 THE COURT: Do you want to give her an exhibit  
10 number so she can put her hands on it?

11 THE WITNESS: It would be nice if I could refer to  
12 the hard copy.

13 MR. BRAFMAN: Do you have the exhibit number?

14 MS. SMITH: I believe it's 52, Your Honor.

15 THE COURT: 52.

16 MR. BRAFMAN: Yes. If you could put it up to the  
17 next page to the actual agreement, I'm sorry, if you could  
18 blow that up.

19 MS. KASULIS: And it's Tab 51 for the witness.

20 THE WITNESS: Thank you.

21 (Exhibit published.)

22 MR. BRAFMAN: If you could raise that top portion  
23 up.

24 BY MR. BRAFMAN:

25 Q This settlement agreement is between you, you are the



S. Hassan - cross - Brafman

1116

1 releaser, and Martin Shkreli, MSMB Capital, MSMB Capital, LLC,  
2 MSMB Healthcare and all of the other MSMB entities and  
3 Retrophin, is that correct?

4 A Yes.

5 Q Did you ever have a contract with Retrophin which  
6 required them to give you all of these shares?

7 A No, I did not.

8 Q Okay. If we could turn to the next, I'm sorry, move it  
9 up to the whereas, the \$300,000. And it says: Whereas,  
10 releaser, you, Sarah Hassan, made a \$300,000 personal  
11 investment in MSMB Capital in January 2011, the investment,  
12 that's accurate, correct?

13 A Yes.

14 Q And if you could move it up, please, to payment terms.

15 The settlement agrees to give you \$400,000 in cash  
16 upon the execution and delivery of the liquidation -- of this  
17 agreement, the liquidation amount, as full and final  
18 satisfaction of any and all claims; so by accepting the  
19 \$400,000 in this agreement, you are giving up your right to  
20 sue any of the entities that are listed in this contract, is  
21 that correct?

22 A Yes.

23 Q And if we could turn to the next page, paragraph 2, if we  
24 could highlight that.

25 (Exhibit published.)

S. Hassan - cross - Brafman

1117

1 BY MR. BRAFMAN:

2 Q With respect to the 58,306 shares, it's Shkreli,  
3 Retrophin and the MSMB entities represent and warrant to  
4 releaser on the date of this agreement that releaser has been  
5 validly issued and is the record and beneficial owner of and  
6 has good and valid title to 58,306 shares of common stock, and  
7 then it goes on to tell you that their value at the time  
8 you're getting it, but you ended up with 58,306 shares that  
9 were given to you by Mr. Shkreli, Retrophin and the MSMB  
10 entities collectively, is that correct?

11 A Yes.

12 Q So you got a total of money that you personally invested  
13 in, plus a hundred-grand, yes?

14 A Yes.

15 Q And MSMB, Retrophin and Shkreli collectively gave you  
16 58,306 shares of common stock?

17 MS. KASULIS: Objection, Your Honor,  
18 mischaracterizes the document.

19 THE COURT: I will sustain the objection. Can you  
20 rephrase, Mr. Brafman?

21 MR. BRAFMAN: I'm sorry?

22 THE COURT: Sustained. Please rephrase.

23 MR. BRAFMAN: Rephrase.

24 BY MR. BRAFMAN:

25 Q The document provides that Shkreli, Retrophin and the

S. Hassan - cross - Brafman

1118

1 MSMB entities represent and warrant to releaser on the date of  
2 this agreement that releaser has been validly issued and is  
3 the record and beneficial owner of and has good and valid  
4 title to 58,306 shares of common stock of Retrophin, correct?

5 A Yes.

6 Q All right. So MSMB, Martin Shkreli and Retrophin in  
7 return for your investment gave you 58,306 shares, is that  
8 correct?

9 MS. KASULIS: Objection.

10 A No, that's not necessarily --

11 THE COURT: Sustained.

12 MR. BRAFMAN: I'll move on.

13 BY MR. BRAFMAN:

14 Q Now, what's the date that you got the \$400,000?

15 A I would have to see some kind of note. I don't recall  
16 the date.

17 Q Sometime in 2014 or '15?

18 A Um --

19 Q We'll get to it in a minute, let me move on to something  
20 else.

21 What is the date that Martin Shkreli made the  
22 presentation to you in the offices of Retrophin, if you  
23 recall?

24 A I don't recall. Can I refer --

25 Q We can --

S. Hassan - cross - Brafman

1119

1 MR. BRAFMAN: I'm sorry, if we could put up  
2 Government Exhibit 103-5. If we could blow that up, please.

3 (Exhibit published.)

4 BY MR. BRAFMAN:

5 Q This is April 11th is when he made the presentation on  
6 Retrophin, is that correct?

7 A Yes, April 11th, 2011.

8 Q Okay. Now, when did you first invest with MSMB?

9 A In January of 2011.

10 Q So we are talking about three months after your  
11 investment, three-and-a-half months after your investment he  
12 was giving you a presentation of Retrophin, which based on a  
13 presentation was already a company that he had developed, is  
14 that correct?

15 A I don't know what the status of the formal organization  
16 was.

17 Q But you see it, the presentation that was made to you,  
18 which the Government walked you through in part, was done on  
19 April 11th, is that correct?

20 A Yes.

21 Q And you are only in Martin Shkreli's business world from  
22 January of 2011?

23 A Yes.

24 Q So within three months of joining the MSMB investors, you  
25 are already being shown the Retrophin presentation, correct?

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S. Hassan - cross - Brafman

1120

1 A Yes.

2 Q So you knew that Retrophin existed, at least in Martin  
3 Shkreli's mind, as early as April 11th, 2011?

4 A Yes, that seemed -- I'm not certain that it -- wasn't  
5 certain that it was a formal company. He had described it as  
6 being, you know, I recently found this really interesting IP  
7 under research and I think it's an interesting concept, I want  
8 to move it forward, but he never -- he never made it clear if  
9 it was a formalized company or if he was just putting together  
10 a plan for it.

11 Q Well, let's look at the -- let's look at the presentation  
12 that you read. Let's go to 0000688, Bates stamp 688, which is  
13 part of exhibit -- which is part of the same exhibit. Let me  
14 read the first paragraph:

15 Retrophin is an emerging biotechnology company  
16 dedicating developed drugs for rare and life-threatening  
17 diseases. Specifically our mission is to become the first  
18 company to receive FDA approval for a new treatment for  
19 Duchenne muscular dystrophy.

20 Did I read it correctly?

21 A Yes.

22 Q And Mr. Shkreli and you were looking at this slide or  
23 this presentation together on his computer in his office,  
24 correct?

25 A Yes.

S. Hassan - cross - Brafman

1121

1 Q And when you were looking at it, he was describing it to  
2 you and explaining it to you, correct?

3 A Yes.

4 Q And when you go to page 690, Bates stamp 690, I am  
5 leaving off the zeros, this explained the mechanism of the  
6 action that Martin had developed concerning how the proteins  
7 would be developed, correct?

8 A I believe so.

9 Q And look at page 693, Bates stamp 693. That's the next  
10 one, I believe. And this reads: The key problem is  
11 intracellular transduction.

12 Do you know what that means?

13 A I probably wouldn't do a good job of defining it today.

14 Q Protein replacement therapy is a well-known tool for many  
15 diseases; insulin, EPO, ERT, I, et cetera. Dystrophin must  
16 cross the cell membrane, transduce; to be useful, a very  
17 difficult test. RE-001 is designed to solve this problem by  
18 using a cell penetration peptide known as TAT, T-A-T.

19 Do you see that?

20 A Yes.

21 Q And this was the science that Martin was explaining to  
22 you that he had under development, isn't that true?

23 A Yes.

24 Q And it wasn't just Martin and a group of slides, several  
25 of your father's key friends and key colleagues were part of

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S. Hassan - cross - Brafman

1122

1 this company, weren't they?

2 A I hadn't spoken to any of them about it.

3 Q But look at the slide. Let me just move to 0000704.

4 A I am familiar with Mr. Saunders or Mr. Banta being listed  
5 somewhere in the investors.

6 Q I just want to go back to the slide, okay. Let the jury  
7 see what you saw.

8 Key management: Martin Shkreli is the CEO, interim  
9 CEO, and then on the bottom it says Ken Banta is consulting  
10 senior vice president for strategy, former Schering-Plough  
11 senior vice president for corporate strategy.

12 That's the Ken Banta who is one of your father's  
13 closest business associates; isn't it?

14 A I don't know if I'd characterize him as one of the his  
15 closest business associates, but that is the gentleman that's  
16 worked for my dad, yes.

17 Q For how many years?

18 A I don't know.

19 Q Fifteen?

20 A I don't know.

21 Q Many years?

22 A I don't know. Some of these people I've heard their  
23 names throughout the years, but I don't know closely how many  
24 years they worked together. If they worked together a year at  
25 one company and then a year at another. I -- I honestly

S. Hassan - cross - Brafman

1123

1 couldn't tell you.

2 Q And they just show up at these companies after your dad  
3 takes them over by accident?

4 MS. KASULIS: Objection, Your Honor.

5 THE COURT: Sustained.

6 BY MR. BRAFMAN:

7 Q Well, did you ever say to either Mr. Saunders, who was  
8 your friend, or Ken Banta, who you knew through your dad or  
9 could call up, what do you know about Retrophin?

10 A I didn't talk to him about this investment.

11 Q And now, Brent Saunders, the person you said you'd known  
12 for most of your life, if we could turn to the next  
13 page 000705, Brent Saunders is on the Board of Directors of  
14 this company, is that correct?

15 A Yes, I see that listed.

16 Q And he is the person who put you in Martin's world?

17 A Yes.

18 Q And you never went back to Brent Saunders and said,  
19 Martin is pitching me on Retrophin, what can you tell me about  
20 it, you're on the board; you never had that conversation with  
21 Brent Saunders?

22 A I didn't discuss it with Mr. Saunders.

23 Q Now, if you look at the people who are among the  
24 investors, can you turn to 000706, can you look at that page?  
25 Do you have it?



S. Hassan - cross - Brafman

1124

1 A Yes.

2 Q Brent Saunders is listed first, right?

3 A Yes.

4 Q And he's identified as the CEO of Bausch and Lomb,  
5 correct?

6 A Yes.

7 Q The company that your father was chairman of?

8 A Yes.

9 Q Now, if you can look at 713, the appendix also has  
10 suggested timelines for how this company is going to be  
11 developed, is that correct?

12 A I'm not there yet.

13 Q I'm sorry, 713.

14 A One moment. Yes.

15 Q And it's obvious from this timeline, if these slides are  
16 accurate, that as early as June 2011 that they have already  
17 done some testing, is that correct?

18 A It was not clear if this was for Retrophin. My  
19 understanding was that there was testing done, but it was  
20 never made clear to me if that was done by Retrophin. I just  
21 thought this was the timeline of what he was working on.

22 Q So what this is, this is the Retrophin presentation. He  
23 is not showing you this because it's a stroll down memory  
24 lane, this is the Retrophin presentation?

25 A No, I --

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S. Hassan - cross - Brafman

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1 MS. KASULIS: Objection, Your Honor.

2 THE COURT: Sir, you can just ask the  
3 cross-examination question without arguing with the witness.

4 MR. BRAFMAN: Okay.

5 Q The appendix of this presentation lists June 2011 spinal  
6 muscular atrophy mouse study completes.

7 Does that indicate to you that the testing that is  
8 being done or the trials that are being done with mice are  
9 going to be completed by then?

10 A Yes.

11 Q And you as someone who's worked in healthcare for many  
12 years, you know that before the FDA approves drugs for humans,  
13 it generally first tests it on some type of laboratory animal,  
14 isn't that correct?

15 A Yes.

16 Q And it's fairly common?

17 A Yes.

18 Q And in order to get FDA approval for use on humans, you  
19 need to go through various trials, is that correct?

20 A Yes.

21 Q And if you successfully complete those trials, it can  
22 substantially improve the likelihood of the company's success  
23 once it's approved for use on human beings, is that correct?

24 A Yes, that's correct.

25 Q And what Martin was explaining to you in this

S. Hassan - cross - Brafman

1126

1 presentation, if you look at page 714, the last two  
2 highlighted or the last three highlighted: Battery of  
3 Duchenne muscular dystrophy mouse studies begin to read out;  
4 pre-(indicating) meeting with FDA; and 1.175 million spent so  
5 far without overhead.

6 Do you see that?

7 A Yes.

8 Q Do you know that Retrophin and MSMB shared the same  
9 office at Madison Avenue where you were reviewing the slides?

10 A I believe so.

11 Q And were you up there, were they lavishly furnished or  
12 were they modest?

13 A I don't really recall.

14 Q Well, you sat in the room for several hours looking at  
15 slides. You were at the same desk because there was only one  
16 laptop that you could use?

17 MS. KASULIS: Objection.

18 THE COURT: Sustained.

19

20 (Continued on the following page.)

21

22

23

24

25

Hassan - cross - Brafman

1127

1 CROSS-EXAMINATION (CONTINUING)

2 BY MR. BRAFMAN:

3 Q Now, when Martin was showing you these slides -- if you  
4 go to 716, please. Do you see there where it says investigate  
5 opportunities and more disease and the first one listed as  
6 myotubular myopathy?

7 A Yes.

8 Q Did Martin discuss that with you?

9 A I don't recall.

10 Q Did Martin tell you anything about a young man who died  
11 of muscular dystrophy that spurred his interest in Retrophin?  
12 He never told you about a little boy name Josh Frase?

13 MS. KASULIS: Objection, Your Honor.

14 THE COURT: Sustained.

15 Q Did he ever tell you why he got started on Retrophin?

16 A I don't recall.

17 Q Did you ask him what brought on this passion for  
18 Retrophin?

19 A Honestly, our earliest conversation that I remember was  
20 him saying he found some interesting research or studies that  
21 are being done that seem like there could be a promising  
22 product for a disease, but I don't remember those  
23 conversations that you're asking about.

24 MR. BRAFMAN: Give me one second, please.

25 Q Now, if you look at page 721, under appendix timelines,

Hassan - cross - Brafman

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1 he lists Children's National Medical Center, Washington, D.C.;  
2 Children's Hospital Boston, Boston, Massachusetts; Baylor  
3 University Medical Center, Dallas, Texas; NYU Medical Center  
4 New York, New York; and \$100,000 in consulting costs. Did you  
5 ask him what the relationship was with any of those medical  
6 facilities?

7 A Honestly, I don't recall. This was a conversation that  
8 was sometime ago.

9 Q If you look at 722. 722, he says that in March 2002  
10 phase one study of RE-0001 begins and then it drops down,  
11 Retrophin valuation of \$200 million. Do you see that?

12 A Yes.

13 Q Do you know what Retrophin's valuation is today?

14 MS. KASULIS: Your Honor, just to correct the  
15 record, I believe he said 2002. It is 2012.

16 Q It's March 2012, valuation he lists for the Retrophin is  
17 \$200 million. Do you see that?

18 A Yes.

19 Q As you sit here today, do you know if that's an accurate  
20 statement in 2012?

21 A I do not know.

22 Q When you left, did you check to see what Retrophin was  
23 valued at?

24 A I know the stock price but I don't know the overall  
25 market cap.

Hassan - cross - Brafman

1129

1 Q Do you know what the market cap is today?

2 A No. I've been advised not to follow it. I don't know.  
3 Market cap.

4 Q Now, if you look at 0724, it says in May 2012, continued  
5 reports to RE-0001 outcomes, 10 patients enrolled. Drop down  
6 and it says, FDA allows 12 weeks of human RE-0001 dosing.

7 Does this slide suggest that as early as May 2012  
8 the FDA had already approved this drug for human dosing?

9 MS. KASULIS: Objection, Your Honor. This is in  
10 2011, this presentation?

11 MR. BRAFMAN: It is projecting what is going to  
12 happen in 2012.

13 THE COURT: It's the way you phrased it, sir.

14 MR. BRAFMAN: I'm sorry.

15 Q Does this suggests to you that in May of 2012 Mr. Shkreli  
16 was projecting that the FDA would already approve it for human  
17 testing?

18 A Yes.

19 Q Do you know how long it generally takes for the average  
20 drug, a brand-new drug to get from development through FDA  
21 approval, approximately?

22 A Something like seven years, ten years.

23 Q It takes a long time?

24 A Yeah.

25 Q You have to go through different levels of bureaucracy at

Hassan - cross - Brafman

1130

1 the FDA?

2 A Yes.

3 Q And differently levels of scientific testing?

4 A Yes.

5 Q And you need to have different good results at the  
6 different clinical trials?

7 A Yes.

8 Q And if you fail at any one of those, it could be a  
9 terrible setback; correct?

10 A Yes.

11 Q And many companies fail in the pharmaceutical industry  
12 and never get approved for human usage; is that correct?

13 A Yes.

14 THE COURT: Mr. Brafman, are you at a point where it  
15 might be good to give the jurors an afternoon break?

16 MR. BRAFMAN: Yes.

17 THE COURT: Jurors, please leave your notes face  
18 down on your chairs. I would ask you to take a little break,  
19 have coffee, stretch. Please don't talk about the case.  
20 Thank you for your attention.

21 (Jury exits the courtroom.)

22 THE COURT: All right. Let's take ten minutes.

23 (Recess taken.)

24 (Jury enters the courtroom.)

25 THE COURT: Thank you. We have all jurors present.

Hassan - cross - Brafman

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1 Please have a seat, everybody. Mr. Brafman, you may resume  
2 your cross.

3 MR. BRAFMAN: Thank you very much.

4 May I have just one second, Your Honor?

5 THE COURT: Sure.

6 (Pause.)

7 Q I think you told us on direct examination that at some  
8 point in April of 2012 you received 5,000 shares of Retrophin  
9 from Mr. Shkreli that you were not expecting; is that correct?

10 A I don't recall the specific date, but, yes, the content  
11 did occur.

12 MR. BRAFMAN: If I may show the witness DX 122 for  
13 identification only, if we could put it on the ELMO for her.  
14 I don't have it.

15 I can walk up and show it to her, Your Honor.

16 THE COURT: That might work better.

17 MS. KASULIS: What was the exhibit number?

18 MR. BRAFMAN: DX 122.

19 A Thank you.

20 Q You're welcome. By looking at DX 1722, does it refresh  
21 your recollection that you received the 5,000 shares from  
22 Martin on or about April 16, 2012?

23 A Yes.

24 Q Indeed, Martin gave you that and thanked you for being  
25 one of the early supporters of Retrophin; is that correct?



Hassan - cross - Brafman

1132

1 A Yes. That's correct.

2 Q AND he also advised you that there was a zero basis in  
3 those 5,000 shares; is that correct?

4 A Yes. There's a zero cost basis.

5 Q Do you know what that means in terms of tax liability to  
6 you?

7 A I wasn't sure of the implication.

8 Q When you buy a stock and you pay \$10 for the stock,  
9 that's your basis; is that correct? Do you understand that?

10 A Yes.

11 Q And when you sell the stock for \$20, your profit is \$10;  
12 is that correct?

13 A Yes.

14 Q So if you either had a short-term capital gain or a  
15 long-term capital gain, they divide the 10 from the 20 and you  
16 have \$10 worth of income that's taxable to you; correct?

17 A Yes.

18 Q Now, in this case he is giving you this; is that correct?

19 A I understood the zero cost basis, I wasn't sure of the  
20 taxation implications.

21 Q BUT you did not have to buy these units, it's a gift from  
22 Martin Shkreli to you essentially thanking you for the  
23 aggravation, isn't it true?

24 MS. KASULIS: Objection, Your Honor.

25 THE COURT: Sustained.

Hassan - cross - Brafman

1133

1 Q He was thanking you for being one of the early  
2 supporters; is that correct?

3 A Yes, he did.

4 Q And for the last 11 months, as you went through it on  
5 direct examination, you have been going back and forth with  
6 Martin to try and get out of the fund; is that correct?

7 A Those are unrelated. I'm sorry, this was an award of  
8 5,000 units that was for Dynagrow Capital and Dynagrow  
9 Capital's investment in Retrophin from day one, but that was  
10 unrelated. It was not a personal gift to me. It was a gift  
11 to Dynagrow Capital.

12 Q But Dynagrow Capital is your family's money?

13 A Yes. But as I clarified in several e-mails, it's very  
14 different from any individual.

15 Q I understand that, but the only people who participate in  
16 the growth or loss of Dynagrow is you and your immediate  
17 family; correct?

18 A Yes.

19 Q At some point, even if it's not a direct gift to you,  
20 some of this trickles down to Sarah Hassan, doesn't it, if you  
21 make a profit on it?

22 A I guess in some convoluted way, but, again, this was  
23 nothing to do with me personally.

24 Q But you were the Dynagrow person who dealt with Martin  
25 Shkreli, nobody else?

Hassan - cross - Brafman

1134

1 A I made an investment out of Dynagrow for Retrophin and  
2 there weren't many interactions in terms of that integral  
3 piece.

4 Q Did you testify on direct examination that the K-1 that  
5 they showed you had Sarah, Dynagrow, and Fred Hassan on it and  
6 that you wanted it redacted because Fred had nothing to do  
7 with this investment?

8 A Yes.

9 Q Do you know how your father or you or Dynagrow came to  
10 get that K-1?

11 A Can you please expand?

12 Q How did that show up on your doorstep?

13 A I was sent a K-1.

14 Q I know, but did you or your father or your assistants or  
15 your father's assistant call and ask for a K-1?

16 A It's something that's commonly sent out every year.

17 Q Have you seen any of the correspondence between Johanna  
18 Olsher and Martin Shkreli relating to the K-1?

19 A Johanna?

20 Q I'm sorry, Johanna Olsher?

21 A She was one of my admins.

22 Q One of your administrative assistance?

23 A Yes.

24 Q Did you go through her e-mail traffic related to this to  
25 see how this came about?

Hassan - cross - Brafman

1135

1 A No, I'm not familiar with any of that.

2 Q And any one of the --

3 MR. BRAFMAN: Government Exhibit 103-36, can we put  
4 that up, please? That's a two-page exhibit. If we could go  
5 to the second page please, the top portion, if we could direct  
6 the witness' attention to this exhibit and raise it for the  
7 jurors to see.

8 Q This is an e-mail that you sent to Martin; is that  
9 correct?

10 A Yes.

11 Q And it says, "Since I am the manager of Dynagrow Capital,  
12 which manages our family's money, I would appreciate it if you  
13 would list in any investor list or otherwise Dynagrow Capital  
14 as the investor. If you feel the need to identify me as the  
15 manager, please feel free to describe it as Dynagrow/Sarah  
16 Hassan. My dad is not a direct investor and cannot do so  
17 because of compliance obligations." Do you see that?

18 A Yes.

19 Q Why wasn't your dad a direct investor, as opposed to an  
20 investor? What does the word "direct" to you?

21 A I'm sorry, I think you are looking for semantics on  
22 there. It was to say that he's not an investor. I generally  
23 try to speak nicely. That was my way of speaking, but he is  
24 in no way an investor.

25 Q But he is an investor in Dynagrow, isn't he?

Hassan - cross - Brafman

1136

1 A He is a shareholder of Dynagrow.

2 Q Now, your father worked for Warburg Pincus; is that  
3 correct?

4 A Yes.

5 Q That's a major private equity fund?

6 A Yes.

7 Q In order for him to invest in something, he would need  
8 clearance; is that correct?

9 A Yes.

10 Q He would need clearance from their compliance department  
11 to make sure there was no conflict; correct?

12 A Yes.

13 Q If your father wanted to invest directly in Retrophin  
14 personally that could present a problem for compliance if, in  
15 fact, Retrophin was competing with another healthcare company  
16 that Warburg Pincus was helping; right?

17 A That could be a potential conflict.

18 Q Okay. So the fact that you say he is not a direct  
19 investor, you think that's just language that you chose to  
20 make the point?

21 A Yes. I actually made it clear in several e-mails that  
22 he's not an investor. I think we also saw several e-mails  
23 today that I stated very clearly he is not an investor, so if  
24 there was any confusion, it should have been cleared well  
25 before this time.

Hassan - cross - Brafman

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1 Q Do you know if your father is going to testify?

2 MS. KASULIS: Objection, Your Honor.

3 THE COURT: Sustained.

4 MR. BRAFMAN: There are some documents. I won't  
5 press now.

6 THE COURT: Well, that's a conversation that you  
7 should have with the Government, all right, not with this  
8 witness.

9 MR. BRAFMAN: Now, if we could put up Government  
10 Exhibit 103-13. It is the wind down e-mail that's in  
11 evidence.

12 Q Do you remember getting this wind down e-mail?

13 A Yes.

14 Q And you weren't expecting it; correct?

15 A No, I was not.

16 MR. BRAFMAN: If we could raise the print so we can  
17 go to the second paragraph. I'm sorry, let's start with the  
18 first paragraph.

19 Q It begins by saying, from Martin Shkreli to you as an  
20 investor, "I have decided to wind down our hedge fund  
21 partnerships with a goal of completing the liquidation of the  
22 funds by November or December 1, 2012. As you know, MSMB has  
23 found increasingly compelling opportunities in private equity.  
24 We are going to focus our efforts on managing money in a  
25 hybrid private structure, one which is generally not amenable

Hassan - cross - Brafman

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1 to the open-ended private hedge funds partnerships structure.

2 Did I read that correctly?

3 A Yes.

4 Q And what did you understand that you were to be -- that  
5 Mr. Shkreli was going to be pursuing opportunities in private  
6 equity?

7 A Well, I mean, that could be a variety of things. To be  
8 frank, today, I can say that would include Retrophin, among  
9 possibly other things. But at the time when I got this letter  
10 I was more focused on the overall message of it, which was  
11 it's winding down, how would you like to receive this  
12 investment?

13 Q And he is telling you this shortly after you received the  
14 Retrophin presentation; right?

15 MS. KASULIS: Objection.

16 THE COURT: Sustained.

17 MR. BRAFMAN: I'm sorry?

18 THE COURT: She has objected and it was sustained.

19 Q Did you get this letter after you saw the Martin Shkreli  
20 presentation of Retrophin in 2011?

21 A Yes. Sometime after.

22 Q Okay. And you didn't put two and two together when he  
23 referred to private equity that he was talking about  
24 Retrophin?

25 A Again, my interest was more just reading that he was

Hassan - cross - Brafman

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1 winding down the fund and that he gave me two options on how  
2 to liquidate. I wasn't so concerned with what the future  
3 plans were. My immediate concerns were about redemptions.

4 Q Let's look at the second paragraph of this wind down  
5 e-mail. He tells you, right in that paragraph, we have  
6 decided the best structure for such an entity is a public  
7 company or private corporation. Retrophin, LLC or MSMB  
8 founded biotechnology operation will be that company. Let me  
9 stop there.

10 When you saw that, did you relate Retrophin to the  
11 company that he showed you that was going to be approved by  
12 the FDA in his judgment?

13 A Yes.

14 Q Then it says, Retrophin has made a lot of progress since  
15 its inception 2011. Today the company has a full pipeline and  
16 several marketed cash-generated products. Retrophin is  
17 currently valued at a modest \$80 million, but I personally  
18 feel the shares are worth closer to \$1 billion and will reach  
19 that lofty number when all is said and done. We anticipate  
20 taking the company public in the first half of 2013. We will  
21 see what the market thinks then.

22 You were told in the wind down that MSMB has turned  
23 into Retrophin as practical matter, didn't you?

24 A I'm sorry. Again, it's not that it wasn't stated on this  
25 piece of paper, but my focus was we're winding it down, how do



Hassan - cross - Brafman

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1 I get the redemption. I wasn't fixated on how to put the  
2 pieces of the rest of this letter together.

3 Q But they didn't hide the fact that MSMB and Retrophin  
4 were becoming one and the same? They told you that?

5 A I honestly didn't put together that it was one and the  
6 same. My understanding was that he was refocusing his  
7 efforts. He was winding down this fund. This fund would come  
8 to a conclusion and that the new and other company or the  
9 other company he was working on was Retrophin.

10 Q But he tells you in the e-mail that MSMB founded  
11 biotechnology operation was related to Retrophin, isn't that  
12 what this says?

13 A Yes, but he's also the operator of MSMB. My  
14 understanding is he founded Retrophin. So it's not that  
15 farfetched, but, again, I wasn't obsessing with the language.

16 Q I am not asking about obsessing, I'm asking about  
17 understanding. From the memo, we went through it  
18 exhaustively, you knew that one of the things he could do as  
19 the general partner was invest in private equity, start-ups  
20 and IPO's; right?

21 A Yes, a portion of it. Yes.

22 Q And he told you that his office, he was very excited  
23 about the science of Retrophin and its potential; correct?

24 A Yes.

25 Q Everything Martin Shkreli told you ultimately came true,

Hassan - cross - Brafman

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1 it just didn't happen as quickly as you would have liked it to  
2 have happened; isn't that correct?

3 A Again, these are very different and separate actions. I  
4 feel like some of this might be a little bit confused.

5 Q Let me ask you, when you signed the settlement agreement  
6 prepared and agreed to by your lawyer and Retrophin's lawyer,  
7 it clearly said that you are settling with MSMB and Retrophin  
8 is giving you 58,000 shares of stock, why would Retrophin give  
9 you 58,000 shares of stock?

10 MS. KASULIS: Objection. Mischaracterizes the  
11 agreement.

12 THE COURT: Sustained.

13 Would you rephrase, sir?

14 MR. BRAFMAN: Can we move up into the -- if you go  
15 to the bottom of the page, the last paragraph.

16 THE COURT: We are still on 103-13, sir?

17 MR. BRAFMAN: Yes, your Honor.

18 Q I cannot thank you, the partners enough. I have the most  
19 loyal investors in the world. We have received two  
20 redemptions since inception and are thankful for your patience  
21 and tolerance while we went through operational mishaps and  
22 switched strategies several times. Original MSMB investors  
23 2009 have just about doubled their money, net of fees. I  
24 regret terminating the fund, but I feel tremendous private  
25 equity opportunities are abundant at the moment and we need

Hassan - cross - Brafman

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1 the latitude to explore them.

2 Do you know who the two redemptions are in that  
3 paragraph?

4 A No, I do not.

5 Q You're not one of them, are you?

6 A I was not.

7 Q Because you didn't double your investment, you tripled or  
8 almost quadrupled your investment; is that correct?

9 A Not at this point in time.

10 Q No. But you did, as a matter of fact, quadrupled your  
11 investment at the end of the day; isn't it true?

12 A Well, after going through sort of a long and arduous  
13 process to get to the settlement agreement and waiting several  
14 years, yes, many years later.

15 Q How much time was caused by your own lawyer in the  
16 drafting and finalization of the settlement agreement, if you  
17 know?

18 A I don't know offhand.

19 Q Did the settlement agreement go back and forth between  
20 Mr. Greebel and Mr. Rothchild, your lawyer, for many, many  
21 weeks with each one changing different drafts?

22 A There were edits made, but I couldn't speak to how much  
23 time it spent in one place versus another.

24 Q Who hired Mr. Kornreich? You did?

25 A Yes.

Hassan - cross - Brafman

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1 Q You hired him so that you would have independent  
2 representation by a top law firm when you were dealing with  
3 Katten Muchin, which is Evan Greebel's top law firm; correct?

4 MS. KASULIS: Objection.

5 THE COURT: Sustained.

6 Q Did you ever investigate what Katten Muchin, what kind of  
7 a law firm that is?

8 A No, I didn't do an investigation of them.

9 Q When you got an e-mail from Evan Greebel out of the blue,  
10 did you try and figure out who he was?

11 A No, I honestly looked at his e-mail address and I saw  
12 that it was at Katten Law and I made the assumption that he  
13 was Martin's lawyer.

14 Q Now, did you put your lawyer in touch with him or did you  
15 act as the middle person without the two lawyers speaking to  
16 each other?

17 A I don't recall the conversations offhand.

18 Q Isn't it true that all of the correspondence relating to  
19 your settlement agreement goes from Evan Greebel to you, from  
20 you to your lawyer, from your lawyer back to you, and from you  
21 to Evan Greebel, and not once do the two attorneys talk to  
22 each other?

23 A I don't recall. I don't know.

24 Q Well, you were part of it, weren't you?

25 A I certainly had correspondence. I don't know how much of

Hassan - cross - Brafman

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1 it was myself versus the attorneys.

2 Q Do you remember any of the edits?

3 A I don't remember a lot of them offhand.

4 Q You don't remember any of them?

5 A I know some of the terms I negotiated with Martin on the  
6 phone.

7 Q What terms?

8 A Well, at one point I thought that -- again, to your  
9 point, the stock ended up having some value, but when I didn't  
10 think the stock had value, I think initially it was a \$300,000  
11 settlement and I told him I didn't even need the shares, I was  
12 concerned about making sure I got my money back. On the  
13 phone, he agreed to increasing that from 300 to \$400,000.

14 Q And he agreed to give you additional \$100,000, and even  
15 though you didn't want any shares, he agreed to give you  
16 58,000 shares, which you later sold for a million dollars or  
17 more; correct?

18 A I didn't ask for those shares. Even then I was more  
19 concerned about the cash.

20 Q But you got both?

21 A Yes, he did ultimately give me both.

22 Q Was Martin apologetic to you about the waiting and the  
23 aggravation that he caused you and that's why he gave you a  
24 gift of over a million dollars?

25 A At that time it was not worth over a million dollars, but

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1 it ended up being worth about million dollars, but at that  
2 time it was not, and he didn't explain it specifically as to  
3 what all of it was for.

4 Q When you were in Martin's office going over the Retrophin  
5 presentation, Martin was listing it as a one billion-dollar  
6 company in his mind; correct?

7 A That seemed --

8 MS. KASULIS: Objection.

9 THE COURT: Overruled.

10 Q Correct?

11 A It seemed to be a little -- I mean, I typically see  
12 projections for companies all the time that are a bit  
13 overzealous. The reality is at that time they were not worth  
14 something like one billion dollars.

15 Q He told you it was going to be worth a billion dollars?  
16 He didn't tell you it was worth at that time a billion  
17 dollars; correct?

18 A Yes. It could have also been worth zero.

19 Q But it wasn't. It was worth a billion dollars because  
20 you made more than a million just on your shares; isn't that  
21 correct?

22 MS. KASULIS: Objection, Your Honor.

23 THE COURT: Overruled.

24 A Again --

25 Q His projections to you came true. That's all I am trying

Hassan - cross - Brafman

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1 to have you say yes or it was correct?

2 A I'm sorry, I don't know accurately what the company is  
3 worth today.

4 Q When you got it, they were worth in your mind really not  
5 a lot of money; right? When you got the shares?

6 A They were worth under \$5 a share but they weren't liquid.

7 Q They eventually became liquid and you sold them at \$19 a  
8 share; correct?

9 A Yes.

10 MR. BRAFMAN: Now, if we can have Government Exhibit  
11 103-20, please.

12 Q This e-mail is dated January 21, 2013. Do you see that?

13 A Yes.

14 Q In the middle of the page, with the paragraph beginning,  
15 "I agreed," if we could highlight that paragraph, please.

16 Now, this is during the difficult time when you are  
17 trying to negotiate an end to this saga; would that be a fair  
18 statement?

19 A Sure.

20 Q And one of the things that you said to Martin in this  
21 e-mail, "I agree to give you our time and our money because of  
22 recommendations from Brent Saunders and Ken Banta. I would  
23 hope you would not let them down at this time." Is that a  
24 correct statement?

25 A Yes.

Hassan - cross - Brafman

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1 Q That both Ken Banta and Brent Saunders recommended that  
2 you invest with Martin Shkreli?

3 A Well, Mr. Saunders recommended that I invest. To be  
4 frank, at this point I was just trying to remind him that we  
5 have mutual contacts and that it would be in his best interest  
6 not to continue dragging this out.

7 Q You used Ken Banta's name. Did you know anything about  
8 Ken Banta's relationship with Mr. Shkreli?

9 A No, I did not.

10 Q Did you know that Ken Banta had invested in Elea Capital?

11 A I don't know what that is.

12 Q Why do you use his name if you don't know about his  
13 relationship with Martin Shkreli?

14 A I just knew that he had been involved with Martin  
15 Shkreli.

16 Q In what capacity?

17 A It was just the other name. I could have just as easily  
18 written Tom Koestler.

19 Q But you didn't. You used Brent Saunders, who did invest  
20 in Retrophin and Ken Banta who was listed in the presentation  
21 on Retrophin; is that correct?

22 A Yes.

23 Q You weren't just picking names out of the sky. You used  
24 these names because you knew that Martin Shkreli respected  
25 them and they were powerful people in the pharmacology



Hassan - cross - Brafman

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1 business; isn't it true?

2 A The reason I used them is because they were mutual  
3 contacts. Again, Mr. Saunders is the one who made the  
4 introduction and I knew Mr. Banta was involved in Retrophin  
5 itself. As you mentioned, it was even in the presentation.

6 Q So you use those two names to sort of not pressure  
7 Martin, but to give him a little bit of a jump start to get  
8 this done because these guys are in your world and in my  
9 world; would that be a fair statement?

10 A Again, I just wanted to remind him that we had mutual  
11 contacts. As anyone, I don't think this is the reputation he  
12 wants to build for himself.

13 Q Now, if you go down to the end of the e-mail, you end it  
14 by saying, "As a friend, I will continue to trust you. I hope  
15 as the CEO of a public company you do not betray my trust, I  
16 hope to get an early reply," and that's how you signed it; is  
17 that correct?

18 A Yes.

19 (Continued on following page.)

20

21

22

23

24

25

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1 (Continuing)

2 BY MR. BRAFMAN:

3 Q And if we could then go to the next page, there's a spot  
4 on the same e-mail chain -- I'm sorry.

5 MR. BRAFMAN: If we could put up 103-21. It's a  
6 separate exhibit, I apologize.

7 A No problem.

8 (Exhibit published to the jury.)

9 Q This e-mail you get from Mr. Shkreli in January 2013,  
10 shortly after the start of 2013.

11 MR. BRAFMAN: If we could bring the first paragraph  
12 up.

13 Q He's making it clear to you: Thanks. I should be more  
14 clear. The fund has continued to invest in Retrophin and this  
15 is the only investment in the fund at this moment. There is  
16 no longer any cash at the fund level. I would not be alarmed.  
17 The plan, as I see it, is to distribute the fund's holding  
18 Retrophin stock. At this point, Retrophin can buy back your  
19 Retrophin stock for the value I mentioned. I can see your  
20 cash return in the next two weeks.

21 Now, when you get this e-mail, you have absolute  
22 clarity that the only investment in the fund now, at that  
23 date, is Retrophin, correct?

24 A Yes.

25 Q And you also know that he has no longer any cash at the

S. Hassan - Cross - Brafman

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1 fund level; correct?

2 A Yes.

3 Q Where did the \$400,000 that you got back come from; do  
4 you know?

5 A I don't know.

6 Q So, how did Martin -- how was Martin able to pay you  
7 \$100,000 more than you invested in cash?

8 A I don't know.

9 But my understanding was my investment had grown to  
10 be worth more than \$400,000, but I don't know. I don't know  
11 where that came from.

12 Q But you said you agreed to \$300,000 and Martin gave you  
13 an additional \$100,000, right?

14 A That was prior to being sent the settlement and release  
15 agreement. And then once I was sent the settlement and  
16 release agreement, I thought there would be no more  
17 back-and-forth. And what I asked for on the phone was for the  
18 \$400,000 and I told him I don't even need the shares, I don't  
19 need to be made whole in terms of being told my investment was  
20 worth more than \$400,000.

21 But with still an interesting return like that, I  
22 was comfortable signing the settlement agreement. At the end  
23 of the day, it was kind of forced upon me. I thought that we  
24 were just going to have some kind of dissolution of the fund  
25 or something. And before I was able to actually get my funds,

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1 which I was told would be distributed to me, I was sent the  
2 settlement agreement. So, it was trying to figure out the  
3 right terms for that.

4 I'm very happy with the outcome of the shares  
5 themselves, but that was not my request.

6 Q They were forced upon you?

7 A No, the shares weren't; the settlement agreement was.

8 Q And the settlement agreement was forced upon you when you  
9 were represented by an independent lawyer who could have  
10 rejected the terms of the agreement on your behalf, correct?

11 A I just wanted to get my money at that point.

12 Q And you did.

13 A When we came to terms on the settlement agreement, yes.

14 Q And at the end of the day, you were more than made whole,  
15 you made a hefty profit on this investment.

16 A Yes, there was even more than I asked for in there.

17 Q Now, were there times when the delay in getting the  
18 finalized settlement agreement was the result of delay on your  
19 end?

20 A I can't recall what the timings were, I'm sorry.

21 Q Let me show you Exhibit DX 4415, and I'm just going to  
22 show you for identification. If you could, read it to  
23 yourself.

24 And does it refresh your recollection that in April  
25 of 2013, you wrote to Mr. Shkreli to apologize for the delay

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1 in getting the agreement back to him?

2 A Can you move the document down a little bit?

3 Q I'm sorry. Can you see it now?

4 THE COURT: You might need to make it a little  
5 bigger.

6 MR. BRAFMAN: It's clear on my screen. It's not a  
7 Government exhibit.

8 Q Is it on your screen?

9 A Yes, it's on my screen.

10 But just to be clear, I received the paperwork on  
11 April 3. I think it was a two-day delay.

12 Q But when did you get this back to him? Do you have any  
13 idea how long your lawyers worked on it before you got it back  
14 to him?

15 A He sent me a draft of it on April 2 or 3, and I sent it  
16 back to him on April 5.

17 Q How many drafts did you exchange before signing off on  
18 it?

19 A I don't know, I don't recall.

20 Q Were there five?

21 A I don't recall.

22 Q Were there ten?

23 A I'm sorry, I really don't recall.

24 Q Could it have been as many as ten drafts?

25 A I don't think there were that many.

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1 Q Were there five or six?

2 MS. KASULIS: Your Honor, objection.

3 THE COURT: Sustained.

4 Q And did you ultimately when you got the final copy, did  
5 you send the thank you e-mail to Martin, thanking him for all  
6 of his time and effort in getting this resolved?

7 A I believe so.

8 Q You are a very cordial person by nature, aren't you?

9 A I try to be.

10 Q In all of your e-mails, even though you are insistent,  
11 they're always ending in some type of friendly statement of  
12 one kind or another, aren't they?

13 A Yes. I generally don't like conflicts.

14 Q In fact, after you got this settled, you sent Martin an  
15 e-mail in which you hoped that you could continue to be  
16 friends; isn't that correct?

17 A I don't recall.

18 Q When did you sign the settlement agreement, if you know?

19 A I don't know the date offhand.

20 MR. BRAFMAN: Could we have the Government  
21 settlement agreement put up, please?

22 MS. SMITH: Your Honor, it's Government Exhibit 52.

23 THE COURT: Thank you.

24 Q If you look at the next page, on the front page, the  
25 settlement agreement has a date into in it.

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1154

1 MR. BRAFMAN: We can bring up the first top part of  
2 that page?

3 THE WITNESS: Do you know what time it is, by any  
4 chance?

5 MR. BRAFMAN: What time it is?

6 MS. KASULIS: What tab.

7 THE COURT: What tab?

8 MS. KASULIS: 51.

9 Q Do you have it?

10 A Yes.

11 Q And you look at it, it's dated April 25, 2013; is that  
12 correct?

13 A Yes.

14 Q So, despite the fact that you get it back to your  
15 attorney or Martin's attorney on April 5, it's a complete 20  
16 days to expire before it's actually settled; do you see that?

17 April 25 is the date of the agreement.

18 A Yes.

19 Q When you look at the signature page --

20 MR. BRAFMAN: If we can go to the signature page,  
21 please.

22 Q The signature page contains your signature where you  
23 signed Sarah Hassan individually, correct?

24 A Yes.

25 Q Then it has Mr. Shkreli signing on behalf of himself

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1 individually, correct?

2 A Yes.

3 Q On behalf of Retrophin as CEO?

4 A Yes.

5 Q And on behalf of MSMB Capital as Martin Shkreli, managing  
6 member?

7 A Yes.

8 Q On behalf of MSMB Capital Management as general partner?

9 A Well, as managing member, yes.

10 Q But it lists under the -- above his signature, it's  
11 general partner, right?

12 A Oh yes, yes.

13 Q And MSMB Healthcare, listing Martin Shkreli as its  
14 general partner, correct?

15 A Yes.

16 MR. BRAFMAN: And the next page?

17 Q Additional signatures of Mr. Shkreli on behalf of MSMB  
18 Healthcare Investors and MSMB Healthcare Management; is that  
19 correct?

20 A Yes.

21 Q So, it wasn't a secret to anyone who saw this agreement  
22 that Mr. Shkreli was, in effect, signing on behalf of all  
23 these legal entities, correct?

24 A Yes.

25 Q Including Retrophin?



S. Hassan - Cross - Brafman

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1 A Yes.

2 Q And this agreement, besides Evan Greebel blessing it, if  
3 you will, was blessed by Mr. Levy, your personal attorney; is  
4 that correct?

5 A Mr. Levy wasn't the one who reviewed this.

6 Q Ron Kornreich?

7 A Yes.

8 Q And Ron Kornreich was a lawyer at Proskauer?

9 A Yes.

10 Q And he vetted this with you, correct?

11 A Yes.

12 Q And did Mr. Kornreich at any time say to you that you  
13 should not sign this agreement because it combines a hedge  
14 fund and a public company and it's not kosher in any way; did  
15 he ever say that to you?

16 A No.

17 Q And you relied on him for the legal advice in connection  
18 with this document.

19 A Yes.

20 Q And you trusted him.

21 A Yes.

22 Q Now, on April 29, 2013 --

23 MR. BRAFMAN: Is Government Exhibit 103-33 in  
24 evidence?

25 SPECIAL AGENT BRACONI: No.

S. Hassan - Cross - Brafman

1157

1 MR. BRAFMAN: Can we have a copy of 103-33? Do you  
2 have a clean copy that's not marked?

3 103-33 is a Government exhibit.

4 MS. SMITH: Right. But we have it on the system.

5 MR. BRAFMAN: Is it on the system?

6 MS. SMITH: Yes.

7 MR. BRAFMAN: If you could put it up just so that  
8 the witness can look at it.

9 THE COURT: It's up.

10 MR. BRAFMAN: Can you bring it up a little bit  
11 bigger, please?

12 Q Do you recognize this as an e-mail that you sent to  
13 Mr. Shkreli on April 29, 2013 and an e-mail that he sent to  
14 you on April 26, 2013, related to the settlement agreement?

15 A Yes.

16 MR. BRAFMAN: I offer this in evidence, your Honor.

17 MS. KASULIS: Objection, your Honor.

18 THE COURT: Sustained unless you want to lay a  
19 foundation for why it would be admissible.

20 Q Let me ask you this: Do you recall telling Martin  
21 Shkreli at the end of this saga after the settlement agreement  
22 that you don't have a bad taste in your mouth or anything of  
23 that nature in connection with these transactions?

24 MS. KASULIS: Objection, your Honor.

25 THE COURT: Sustained.

S. Hassan - Cross - Brafman

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1 MR. BRAFMAN: I don't understand the objection.

2 It's a conversation she had with Mr. Shkreli.

3 THE COURT: Would you like to have a sidebar?

4

5 (Continued on the next page.)

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LAM

OCR

RPR

Sidebar

1159

1 (The following occurred at sidebar.)

2 MR. BRAFMAN: Your Honor, the authenticity is not  
3 in dispute. The timing of this coincides with the settlement  
4 agreement. There is dialogue between the punitive victim of  
5 a fraud and the person who is alleged to have committed a  
6 fraud where they apologize to each other for the delay in  
7 closing the document.

8 And we've gone exhaustively through the timing on  
9 this and I don't understand what the objection is. This is  
10 sort of the end of the saga, and what she is says, in her own  
11 words -- no one else is being quoted -- it's the Defendant  
12 apologizing, it's not hearsay, it's part of the narrative, it  
13 goes to his state of mind, and it goes to her state of mind.

14 She is not a defrauded person, Judge. And coming  
15 here now and saying this, is just -- I could get this in under  
16 806 as a prior inconsistent statement, if I wanted to. Your  
17 Honor, this is clearly -- anyway, it's not being admitted for  
18 the truth of it.

19 THE COURT: Sandy, is the bench conference noise up  
20 sufficiently? I feel like it's very loud right now. Sorry.

21 You're saying it is a prior inconsistent statement.

22 MR. BRAFMAN: Either a prior inconsistent statement  
23 or it is not admitted for the truth of it or it is her state  
24 of mind and my client's state of mind. It is admissible under  
25 five different theories.

Sidebar

1160

1 MS. KASULIS: Your Honor, he hasn't laid any  
2 foundation for what -- he's trying to admit this document. He  
3 hasn't asked her anything about what, if anything, they said  
4 or communicated with each other afterwards. If Martin, in  
5 fact, apologized to her anything along those lines. He is  
6 trying to admit it for the truth. I don't think the  
7 foundation has been laid properly.

8 You're reading from the document. You can't do  
9 that. It's about what she recalls. And if it's an  
10 inconsistent statement, she has to testify first for it to  
11 then be inconsistent.

12 MR. BRAFMAN: Her testimony in effect today has been  
13 inconsistent with the tenor of this e-mail.

14 MS. KASULIS: She's explained the tenor of the  
15 e-mails. It's not inconsistent.

16 MR. BRAFMAN: The first question I asked her, she  
17 said she doesn't recall. So, I pulled this document out.

18 You want me to use it to refresh her recollection?

19 MS. KASULIS: Yes. If she says she doesn't recall,  
20 that's the appropriate usage.

21 MR. BRAFMAN: When you were introducing all of the  
22 correspondence, you weren't asking her whether she remembers,  
23 you were putting it in as a to complete-the-narrative. We  
24 have 15, 20 Government exhibits that are just e-mails between  
25 the parties.

Sidebar

1161

1 MS. KASULIS: Because they are statements of the  
2 Defendant. We have the ability to do that.

3 MR. BRAFMAN: You could have put this in as an  
4 admission against interest because he -- it's a false  
5 exculpatory statement, if you want to argue it, that I had no  
6 malicious intent --

7 THE COURT: They don't have to put in all admissions  
8 by your client. They put in --

9 MR. BRAFMAN: But what they are doing is cherry  
10 picking, and it's really -- the narrative is not being  
11 completed. They cherry pick the nasty ones and they leave out  
12 the really kind ones that they exchange.

13 THE COURT: Why don't you ask her, if you want, it  
14 seems to me --

15 MR. AGNIFILO: There's not a truthful statement to  
16 be found here. The relevance is that it was said. There are  
17 two things; there's a foundation issue I'm hearing and a  
18 hearsay issue.

19 I don't see the hearsay issue because it's not a  
20 factual statement that's relevant because the statement is  
21 true. This is relevant because this was the nature of the  
22 discussion. The discussion is the event, that there was a  
23 discussion. And the tenor of the discussion is what's  
24 relevant, so it's permitted for hearsay.

25 MS. KASULIS: And you're offering it for the truth;

Sidebar

1162

1 because of the tenor, there was no mal intent. You want to  
2 offer it for the truth of the matter. You believe Mr. Shkreli  
3 was asserting at the time --

4 MR. BRAFMAN: But it's also for her state of mind.  
5 She is apologizing for how long this took.

6 MS. SMITH: That's actually not inconsistent with  
7 her testimony. She said she was purposely being nice in order  
8 to be cordial and maintain relationships.

9 THE COURT: You can ask if she apologized for the  
10 length of time it took, whether they ended on a pleasant note,  
11 but you can't offer your client's own statement for the truth  
12 in terms of his statement that there was no mal intent.

13 MR. BRAFMAN: But she is accepting his statement.  
14 When she -- don't worry about an apology. She's accepting his  
15 statement --

16 THE COURT: Right.

17 MR. BRAFMAN: -- that there was no malicious intent.

18 MS. SMITH: She can testify whether she accepted the  
19 apology or not, but you can't just read from the document.

20 MR. BRAFMAN: I know that. But she's not going to  
21 recall it.

22 MS. SMITH: Then you can use this to refresh her  
23 recollection.

24 (Continued on next page.)

25

S. Hassan - Cross - Brafman

1163

1 (Sidebar ends; in open court.)

2 THE COURT: The objection to the admission of  
3 Government 103-33 by the defense is sustained.

4 Q Is it possible, Ms. Hassan, for you to remember every  
5 exchange you had with Mr. Shkreli either verbally on the phone  
6 or by e-mail? Is it possible for you to remember all of them?

7 A No.

8 Q Do you remember a conversation or an exchange of e-mails  
9 you had with Mr. Shkreli on or about April 29, 2013?

10 A I wouldn't be able to recall it offhand.

11 Q Did you have an exchange or conversation with Mr. Shkreli  
12 in which he discussed an apology?

13 A I have it in front of me.

14 Q Let me ask you this: Does it refresh your recollection  
15 that on April 29 --

16 MS. KASULIS: Objection, your Honor.

17 THE COURT: The appropriate way to do it is to show  
18 her the document.

19 MR. BRAFMAN: She has it.

20 THE COURT: Ask her to read it and ask if it  
21 refreshes her recollection.

22 Q I ask you to read the document to yourself and tell me  
23 whether it refreshes your recollection as to what you said to  
24 Martin Shkreli on April 29, what he said to you on April 26,  
25 and what you said to him on April 26.



S. Hassan - Cross - Brafman

1164

1 MS. KASULIS: Your Honor.

2 THE COURT: Are you intending to read this exchange  
3 into the record?

4 MR. BRAFMAN: I'm asking if it refreshes her  
5 recollection. I'm just pointing to the date -- that's  
6 innocuous -- just to focus the witness because she doesn't  
7 remember the conversation on that date.

8 THE COURT: Do you recall this exchange of e-mails?

9 THE WITNESS: Yes.

10 Q Can you tell us what you said to Martin and what Martin  
11 said to you?

12 A I tried to give him some kind words. To be frank, we  
13 signed the settlement agreement, but I still hadn't received  
14 my actual money. We were just having a friendly exchange back  
15 and forth.

16 Q Is that the last exchange you had with Martin, to your  
17 knowledge?

18 A To my knowledge.

19 I'm presuming he also knew that I was ultimately  
20 still frustrated because he didn't really reach out to me  
21 again.

22 Q Is this a frustration conversation or is this a friendly  
23 chitchat among friends?

24 A Again, I try to be generally polite, so it is a friendly  
25 conversation.

S. Hassan - Redirect - Kasulis

1165

1 MR. BRAFMAN: I have nothing further, your Honor.

2 THE COURT: Is there any redirect by the Government.

3 MS. KASULIS: Yes, your Honor, briefly.

4 REDIRECT EXAMINATION

5 BY MS. KASULIS:

6 Q Good afternoon, Ms. Hassan.

7 A Good afternoon.

8 Q Did Martin Shkreli ever tell you that he had suspended  
9 redemptions in MSMB Capital?

10 THE COURT: Could you speak louder, into the  
11 microphone?

12 MS. KASULIS: Yes.

13 Q Did Martin Shkreli ever tell you he had suspended  
14 redemptions in MSMB Capital?

15 A No.

16 Q From January 2011, when you invested in MSMB Capital, to  
17 September 2012, do you know what happened to the money that  
18 you had invested in MSMB Capital?

19 A No.

20 Q I'd like to direct your attention to Government Exhibit  
21 5, the private placement memorandum for MSMB Capital, and I  
22 want to direct your attention to the page ending in Bates 240.

23 (Exhibit published to the jury.)

24 Q At the bottom of the page, the restricted securities  
25 section, I believe it reads: The partnership may invest in

S. Hassan - Redirect - Kasulis

1166

1 so-called restricted securities, i.e., securities as to which  
2 the public resale is currently restricted under the Securities  
3 Act of 1933 as --

4 MS. KASULIS: And if we can go to the next page, at  
5 the top.

6 Q -- as amended and which are not immediately convertible  
7 into freely tradeable securities.

8 At the end, it says, to go on: The portfolio  
9 manager intends to purchase restricted securities where  
10 pricing and growth characteristics justify the limited  
11 liquidity and which provide the means of achieving eventual  
12 marketability.

13 The last sentence reads: The partnership's overall  
14 investments in restricted securities will be limited, however,  
15 to a maximum of 10 percent in terms of their cost at time of  
16 purchase of current market value of partnership assets.

17 Do you see that sentence?

18 A Yes.

19 Q What does that sentence mean to you?

20 A It means for these restricted securities, they can't make  
21 up more than 10 percent of the overall assets.

22 Q Does this language in the private placement memorandum  
23 allow the Defendant to invest all of MSMB's capital funds in  
24 restricted shares?

25 A No.

S. Hassan - Redirect - Kasulis

1167

1 Q Did you expect that Martin Shkreli would tell you the  
2 truth about how MSMB Capital's funds were performing?

3 A Yes.

4 Q If Martin Shkreli had lost all the money in MSMB Capital  
5 on a risky investment, did you expect him to tell you that he  
6 lost all the money --

7 MR. BRAFMAN: Objection.

8 Q -- due to the risky investment?

9 THE COURT: Overruled.

10 A Yes.

11 Q Is there anywhere in the PPM for MSMB Capital that allows  
12 Mr. Shkreli to lie to his investors about the performance of  
13 the fund?

14 MR. BRAFMAN: Objection, your Honor.

15 THE COURT: Will you rephrase, ma'am?

16 Q Is there anywhere in the private placement memorandum for  
17 MSMB Capital that allows the Defendant to report inaccurate  
18 numbers regarding the status of the fund?

19 MR. BRAFMAN: Objection, your Honor.

20 THE COURT: Sustained.

21 Q Now, did Martin Shkreli tell you about the performance of  
22 MSMB Capital prior to your investment in the fund?

23 A He referenced it, yes.

24 Q And Mr. Saunders also referenced the performance of his  
25 investment in MSMB Capital; is that right?

S. Hassan - Redirect - Kasulis

1168

1 A Yes.

2 Q And do you have a recollection as to when MSMB Capital  
3 was founded?

4 A I don't recall.

5 Q I'm going to direct your attention to Government Exhibit  
6 80-19.

7 (Exhibit published to the jury.)

8 THE COURT: Was this one in evidence, Ms. Jackson?

9 THE COURTROOM DEPUTY: Yes, Judge.

10 THE COURT: Counsel, it would be helpful for both of  
11 you when you refer a witness to an exhibit to just mention  
12 whether it's in evidence or for identification.

13 MS. KASULIS: Yes, your Honor.

14 THE COURT: This one is in evidence. Thank you.

15 MS. KASULIS: Yes.

16 Q So, this was one of the e-mails, the performance updates,  
17 that we had reviewed earlier today; is that right, Ms. Hassan?

18 A Yes.

19 Q Make sure you can see the document. Do you see under the  
20 net returns section it states: MSMB has returned  
21 79.49 percent net of fees since inception on November 1, 2009?

22 A Yes.

23 Q Based on this document, does it appear that MSMB was  
24 founded in November of 2009?

25 A Yes.

S. Hassan - Redirect - Kasulis

1169

1 Q And who sent you this document?

2 A Martin Shkreli.

3 Q And let's look at Government Exhibit 103-13. This  
4 document is in evidence. It's what we refer to as the  
5 wind-down e-mail.

6 (Exhibit published to the jury.)

7 Q If we can look at very bottom paragraph of this e-mail,  
8 do you see here in the middle of the paragraph that  
9 Mr. Shkreli writes: Original MSMB investors, and then in  
10 parentheses 2009.

11 Is that correct?

12 A Yes.

13 Q And you invested in January of 2011; isn't that correct?

14 A Yes.

15 Q So, that was -- 2009 is over a year before your  
16 investment in MSMB Capital?

17 A Yes.

18 Q Now, was it your understanding that MSMB Capital's  
19 financials were audited?

20 A Yes.

21 Q And where did you get that understanding.

22 A It was part of the disclosures in the PPM.

23 Q Did the Defendant ever tell you that he did not have an  
24 auditor for MSMB Capital?

25 A No.

S. Hassan - Redirect - Kasulis

1170

1 MR. BRAFMAN: Your Honor, this was not gone into on  
2 cross. It's beyond the scope of cross.

3 THE COURT: I will sustain the objection.

4 MS. KASULIS: Your Honor, may we have a brief  
5 sidebar?

6 THE COURT: Yes.

7

8 (Continued on next page.)

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Sidebar

1171

1 (The following occurred at sidebar.)

2 MS. KASULIS: Your Honor, the reason we believe  
3 that this is responsive to cross-examination was that she  
4 testified on cross-examination that she relied on audited  
5 financials.

6 And, also, Mr. Brafman made the point that her  
7 attorney reviewed the PPM and signed off on the PPM, saying  
8 there were no red flags. So in the PPM, it's listed that  
9 there is, in fact, an auditor, and I believe it's fair on  
10 direct examination to ask her whether if there had not been an  
11 auditor, would that have been a red flag.

12 So, that's why we're offering it.

13 MR. BRAFMAN: But you're trying the case backwards.  
14 You're assuming a fact not in evidence. There's been no  
15 testimony about whether was or wasn't an auditor.

16 MS. KASULIS: We intend to prove that there was no  
17 auditor. I don't actually think that's a dispute between the  
18 parties.

19 MR. BRAFMAN: It was not gone into on cross. That's  
20 the nature of my objection.

21 THE COURT: I understand and I did sustain. But her  
22 point is that you raised during her cross that her attorney  
23 reviewed the settlement agreement.

24 He did not necessarily review the PPM, did he?

25 MS. KASULIS: She said she reviewed the PPM with her



Sidebar

1172

1 attorney and the attorney didn't raise any issues about the  
2 PPM.

3 THE COURT: That was the representation in the PPM,  
4 that there was an auditor.

5 MS. KASULIS: Yes.

6 THE COURT: All right. Then I will overrule the  
7 objection and allow the witness to answer the question.

8

9 (Continued on next page.)

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LAM

OCR

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S. Hassan - Redirect - Kasulis

1173

1 (Sidebar ends; in open court.)

2 THE COURT: You may proceed with your question.

3 MS. KASULIS: Thank you, your Honor.

4 BY MS. KASULIS:

5 Q If there was not an auditor for MSMB Capital, would that  
6 have been a red flag for you?

7 A It would have been a concern.

8 Q And why is that?

9 A You need auditors to verify that the information that  
10 you're receiving is actually accurate.

11 Q I next want to turn to the settlement agreement,  
12 Government Exhibit 52.

13 MS. KASULIS: If we turn to the actual agreement --  
14 this is in evidence, Government Exhibit 52 -- I want to look  
15 at the bottom of the first page, the section entitled payment  
16 terms.

17 Q The first sentence reads: Retrophin agrees to deliver or  
18 cause to be delivered a total amounts of \$400,000 in cash upon  
19 execution and delivery of this agreement in satisfaction of  
20 any and all claims, et cetera.

21 Based on the settlement agreement, who paid you  
22 \$400,000?

23 A Retrophin.

24

25 (Continued on next page.)

S. Hassan - redirect - Kasulis

1174

1 EXAMINATION CONTINUING

2 BY MS. KASULIS:

3 Q Is Martin Shkreli listed here as one of the parties who  
4 paid you \$400,000?

5 MR. BRAFMAN: Objection. He signs on behalf of  
6 Retrophin, Your Honor.

7 THE COURT: All right.

8 MR. BRAFMAN: The document --

9 THE COURT: Okay. The objection is overruled, and I  
10 would ask the parties to refrain from speaking objections.

11 You may answer the question.

12 A Can you repeat the question?

13 Q Yes. In this paragraph, in this section, is Martin  
14 Shkreli listed as a party who paid you \$400,000?

15 A No.

16 Q And I want to turn to Government Exhibit 103-5.

17 MS. KASULIS: This is in evidence.

18 BY MS. KASULIS:

19 Q And then if you go to, this is the Retrophin  
20 presentation, the pitch deck. If you go to the next page.

21 You received this presentation from Mr. Shkreli, is  
22 that right?

23 A Yes, I believe so.

24 Q And was it your understanding that Mr. Shkreli had  
25 prepared this presentation?

S. Hassan - recross - Brafman

1175

1 A Yes.

2 Q And do you know whether the information in this  
3 presentation is accurate, Ms. Hassan?

4 A No, I don't.

5 MS. KASULIS: I have no further questions.

6 MR. BRAFMAN: I just have a couple, Your Honor.

7 THE COURT: All right, go ahead.

8 RECROSS-EXAMINATION

9 BY MR. BRAFMAN:

10 Q Look at Government Exhibit 5 and turn to bottom of  
11 page 7, please. At the bottom of page 7, the last two lines,  
12 you were just asked a few minutes ago as to what percentage of  
13 the portfolio could be in restricted securities.

14 Do you remember that question just a few minutes  
15 ago?

16 A Yes.

17 Q And I think you said 10 percent, is that correct?

18 A Yes.

19 Q Did you read the whole paragraph to understand what you  
20 said or you just jumped at the 10 percent?

21 A I was asked to read the last sentences.

22 Q Let's turn it back to page 7, please, on the bottom. We  
23 will read the whole paragraph to see what the restriction is.

24 Restricted securities: The partnership may invest  
25 in so-called restricted securities, i.e., meaning securities

S. Hassan - recross - Brafman

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1 as to which the public resale is currently restricted under  
2 the Securities Act of 1933 as -- continuing on page 8 --  
3 amended the Securities Act and which are not immediately  
4 convertible into freely-tradable securities. The portfolio  
5 manager intends to purchase restricted securities where  
6 pricing and growth characteristics justify the limited  
7 liquidity and which provide the means of achieving eventual  
8 marketability, such as registration rights under the  
9 Securities Act or the right to convert into marketable  
10 securities. The partnership's overall investment in  
11 restricted securities will be limited, however, to a maximum  
12 of 10 percent in terms of their cost at time of purchase of  
13 current market value of partnership assets.

14 Do you have any idea what the cost of purchase of  
15 the limited securities was at the time of purchase?

16 A I do not know.

17 Q So you don't know whether it's below 10 percent or above  
18 10 percent?

19 A Well, I was told that all of the money had gone into the  
20 stocks, so my understanding was that it was a hundred percent.

21 Q And you were also told in this piece that they just  
22 showed you that the maximum of 10 percent is in terms of their  
23 cost at time of purchase, not 10 percent of the value of the  
24 fund, is that correct?

25 A Yes.

SAM

OCR

RMR

CRR

RPR

S. Hassan - recross - Brafman

1177

1 Q Okay. Now, in terms of the settlement agreement, I think  
2 Ms. Kasulis asked you just a minute ago that Retrophin is the  
3 person who is paying you the \$400,000, not Mr. Shkreli,  
4 correct?

5 A Yes.

6 Q And they showed you the settlement agreement, which is  
7 52.

8 MR. BRAFMAN: If we could put that up, please.

9 (Exhibit published.)

10 BY MR. BRAFMAN:

11 Q And on the paragraph they pointed to you, page 1 --  
12 paragraph 1, if you could lift that, please.

13 Payment terms: Retrophin agrees to deliver or cause  
14 to be delivered to releaser the amount of \$400,000 upon  
15 execution and delivery of this agreement.

16 And they asked you whether Martin Shkreli's name is  
17 there and it's not, it says Retrophin, right?

18 A Yes.

19 Q But who signs this agreement on behalf of Retrophin?

20 A Martin Shkreli.

21 MR. BRAFMAN: Thank you very much, I have nothing  
22 further.

23 THE COURT: All right, Ms. Hassan, you are excused,  
24 thank you for your time.

25 THE WITNESS: Thank you.

S. Hassan - recross - Brafman

1178

1 Thank you.

2 THE COURT: You can step down; thank you.

3 (Witness steps down.)

4 THE COURT: We can have one or two choices. I think  
5 the jury, I was thinking perhaps I would excuse you a little  
6 early tonight. Usually I like to sit until 5:30, unless it  
7 made sense to start with a very short direct. I don't know  
8 how much time you have with your next witness, but maybe it  
9 would not make sense to start, interrupt, and then begin  
10 tomorrow.

11 MS. SMITH: Your Honor, that's fine. We can start  
12 first thing tomorrow morning with the next witness.

13 THE COURT: All right, I would ask the jurors again  
14 to leave the notebooks face down on their chairs. Do not  
15 discuss the case and please do not read anything in the media  
16 or do any separate research regarding this case. Consciously  
17 avoid any exposure to media. Thank you and have a good night.  
18 We will see you tomorrow morning. Please show up no later  
19 than 9.

20 Thank you.

21 (Jury exits.)

22 THE COURT: All right, is there anything we need to  
23 address before we adjourn for the day?

24 MR. BRAFMAN: Not by us, Judge.

25 MS. KASULIS: No, Your Honor.

SAM

OCR

RMR

CRR

RPR

S. Hassan - recross - Brafman

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1 THE COURT: Thank you. I'll see you tomorrow  
2 morning at 9 o'clock.

3 MS. KASULIS: Thank you, Your Honor.

4 MR. SRINIVASAN: Thank you.

5 THE COURT: Thank you.

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10 (Matter adjourned to Friday, June 30, 2017 at  
11 9 o'clock a.m.)

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I N D E XWITNESSPAGE**SARAH HASSAN**

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